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One pill for men's sexuality, another for women's



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FINANCIAL TIMES

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Why can't Mr Nasty be nice?

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SCHRODER HAILS A 'GOOD DAY' BUT INFORMAL GATHERING RESOLVES FEW ISSUES AHEAD OF AGENDA 2000 DEADLINE



German finance minister Oskar Lafontaine with cap reading 'I'm a farmer' given to him by farmers in Bonn yesterday protesting at EU subsidy cuts

EU leaders fail to reach agreement on reform

By Peter Norman, Andrew Pariser and Ralph Atkins in King's College

Leaders of the European Union yesterday remained far apart in the important Agenda 2000 negotiations on reform of the EU's finances, agriculture and regional policies, presaging a frantic month of negotiation in the run-up to the planned deadline on March 24-25.

"There is no denying there are still deep differences on spending discipline and revenues," said Gerhard Schröder, the German chancellor, at the informal gathering in the Petersberg hotel near Bonn. "But these can be overcome. It was a good day."

However, he warned that in the event of the talks failing next month, "there could be difficulties in the financial markets" that might affect the euro.

Mr Schröder, who will tour European capitals ahead of the special EU summit in Berlin next month to help craft a deal, also

used yesterday's talks to outline a compromise proposal over the planned abolition of duty free sales within the EU on July 1.

He suggested a 30-month extension before the introduction of excise duties but the levying of value added tax on such sales at mid-year. Germany, Britain, France, Austria, Portugal, Greece and Ireland have called for a stay of execution for duty free, fearing its abolition will increase hostility to the EU among voters even though all the member states agreed to end the present regime as long ago as 1991. "Until we have a proper regime we should not get rid of what we have at the moment," said Tony Blair, UK prime minister.

It was uncertain whether the latest plan, which requires unanimity and will be presented to finance ministers on March 15, would succeed because Denmark has insisted on the scheduled phasing out of duty free. While yesterday's summit displayed

little of the acrimony generated by earlier negotiations among foreign and finance ministers, the leaders failed to unite on proposals from the German EU presidency to limit inflation-adjusted farm spending at an annual average of €40.5bn between 2000 and 2006 and cap spending on the structural funds that help poorer EU areas at a total of €200bn in the seven years.

Mr Schröder said nearly all leaders criticised the negotiations among EU farm ministers, who suspended their marathon discussions in the early hours of yesterday until next Tuesday. The chancellor and Jacques Chirac, the French president, spoke of sending a clear "signal" for a better outcome because the latest compromise proposal would cost €9bn more over seven years than the German plan.

According to his officials, Mr Chirac said the talks should be resumed "on a new basis" which

would be "globally balanced, take account of existing EU rules and cut farm spending". This was a thinly disguised rejection of national co-financing of agriculture, as advocated by Germany. In the Agenda 2000 agreement. Afterwards, Lionel Jospin, the French prime minister, said the idea of co-financing - where governments would help support their own farmers - was in retreat while Mr Schröder said there were alternatives.

Yesterday's was the first opportunity for a discussion of Agenda 2000 among the EU leaders since their December summit in Vienna, and none of the leaders arrived in Bonn expecting a breakthrough. Some EU diplomats suggested the deadlock was part of the ritual of EU summits and that a crisis had to be created for the March meeting so each nation could justify painful sacrifices to its voters.

Farm deal eludes ministers, Page 2

Hong Kong retreats in constitutional row with China

Rahul Jacob in Hong Kong and James Kyng in Beijing

Hong Kong's highest court yesterday retreated in a constitutional row with Beijing by seeking to clarify a landmark judgment that mainland officials had demanded be changed.

The dispute over the court's assertion of autonomy last month has been the most serious challenge to the "one country, two systems" principles by which Hong Kong has been governed since the UK handed it back to China on July 1, 1997.

The Court of Final Appeal

accepted that under the Basic Law, Hong Kong's post-colonial constitution, it could not "question the authority of the National People's Congress (China's parliament) or the Standing Committee".

However, it did not alter its earlier ruling that all children of Hong Kong permanent residents had the right to live in the former UK colony, opening the door for thousands of mainland children.

Nor did it retract its declaration in its earlier judgment that it had the "jurisdiction and indeed the duty" to declare acts

of the NPC invalid in Hong Kong if they contravened the Basic Law. It is unclear whether the latest move will be enough to satisfy Beijing.

Under the Basic Law, Beijing promised Hong Kong's executive, legislative and judiciary "a high degree of autonomy".

In reaching its ruling on January 23, that upheld the right of abode for mainland children who could prove that one of their parents was a Hong Kong resident, the court said it had the right to review acts of the National People's Congress and declare them invalid in Hong Kong if they were inconsistent with the Basic Law.

Mainland officials and legal experts said the court had placed itself above the NPC, and told Hong Kong's secretary for justice they wanted passages of the ruling changed.

This challenge to the rule of law in Hong Kong drew concern from the British and US governments and the local American Chamber of Commerce. On Monday, Standard & Poor's, the credit rating agency, warned that the disagreement was likely to be the first of many that would dog the two governments' implementation of the "one country, two systems" principles.

After the Hong Kong government this week sought a clarification on the controversial passages, the court yesterday tried to navigate a fine line between recognising China's sovereignty without conceding the court's autonomy.

Philip Dykes, vice-chairman of the local bar association, said: "I regard the judgment as basically intact. They have not stepped back from the point they were being asked to clarify."

The Hong Kong government, which has been attacked for putting

pressure on the Court of Final Appeal to revisit the judgment, welcomed the clarification. "Today's judgment will enable all parties to come to a fuller understanding of the original judgment," said Tung Chee-hwa, its chief executive.

A NPC legal expert said yesterday that the Hong Kong court's concession was not unexpected because China's sovereignty was not an issue for debate.

The clarification may head off a move by the NPC to limit the court's jurisdiction by asserting its own right to interpret the Basic Law.

Under Holly Finn, their new editor, the *How To Spend It* pages take style arbiters to task and sort out the cashmere from the goat. We've highlighted the consuming side of our personality with a modern take on the chic and the cheerful and a fond but critical look at desirable luxuries.

Regular features on esoteric tastes and exotic destinations retain their rightful place, along with the views of our renowned wine columnist Jamie Robinson. So unwind your body and open your mind. The new Weekend FT gets serious about the personal and personal about the serious matters of savings, style and status. Tasty writing about first nights, second homes and third husbands.

News

General

Sweden plans tax cuts

The Swedish government is considering tax cuts in the country's most extensive reform of fiscal policy since 1991. The reforms would address mounting criticism that the tax regime penalises senior executives and is driving business abroad. *World news, Page 2*

Summers warns Japan of worsening outlook

Larry Summers, US Treasury deputy secretary, warned that the outlook for the Japanese economy had deteriorated and urged Tokyo to stimulate domestic demand-led growth. *Asia-Pacific, Page 3*

Microsoft faces prospect of defeat

To the outside world, Microsoft's attorneys and PR executives maintain a brazen self-confidence in spite of a series of monopoly trial embarrasments. Privately, the company appears to be steeling itself for failure. *Comment and Analysis, Page 7*

Prison path to the Nigerian presidency

Eight months ago, Olusegun Obasanjo and Olu Falae were behind bars. Today, they are competing to become Nigeria's first civilian head of state for 15 years. The two are about to demonstrate an old African maxim: the path to the presidency passes through prison. *Comment and Analysis, Page 6*

Men in the News

Roberto Colaninno and Franco Bernabe

The entrepreneur who revived Olivetti takes on Italy's toughest crisis manager as the struggle for control of Telecom Italia becomes a battle between the two princes of Italian industry

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Company	Price	Change	Company	Price	Change
Adidas	14.30	0.10	Deutsche	10.20	0.10
Alcatel	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10
Amgen	12.50	0.10	Enel	10.20	0.10

News

Business

Philips offers \$777m for VLSI

Philips, the Dutch electronics group, is attempting to expand its US presence through a \$777m bid for VLSI Technology, a California maker of semiconductors for use in mobile phones and other equipment. A takeover of VLSI would give Philips a boost in the "system-on-a-chip" technology it needs for future cellular phones, consumer electronics and other products. *Companies, Page 24*

BSkyB and Canal Plus clash over top management

Differences have emerged between British Sky Broadcasting, the UK pay television company, and the French broadcasting company Canal Plus over which would exercise senior management control if the two groups merged. *Companies, Page 24, with Lex*

Analysts puzzled as Dresdner Bank profits fall 7%

Dresdner Bank shares fell almost 5 per cent after Germany's third biggest commercial bank reported pre-tax profits down 7 per cent to DM2.6bn (\$1.46bn) and appeared to leave important questions unanswered about its 1998 performance. *Companies, Page 24, with Lex*

European bourses follow Wall Street downwards

European markets inched lower yesterday in response to further weakness on Wall Street. The trans-national FTSE Eurotop 300 index fell 0.5 per cent while the weakest leading market was Paris, down 1.4 per cent. Strong French gross domestic product numbers for 1998 cast some doubt about the willingness of the European Central Bank, which meets next week, to cut interest rates. *Bonds, Page 8; Currencies, Page 9; World stocks, Page 20, 21; Lex, Page 24*

Eisner can take a bow after casting new roles

Michael Eisner's installation of a new executive superstructure at Walt Disney, completed this week with the creation of two new jobs - both to be filled by Bob Iger, president of ABC - amply demonstrated the group chairman's growing grasp of domestic and international diplomacy. *Companies, Page 23*

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WORLD NEWS

POLICY REFORM CHANGES WOULD ADDRESS CONCERN THAT CURRENT REGIME IS DRIVING BUSINESS ABROAD

Sweden plans tax cuts programme

By Tim Burt in Stockholm

The Swedish government is considering a far-reaching programme of tax cuts in the country's most extensive reform of fiscal policy since 1991.

The reforms would address mounting criticism that Sweden's tax regime penalises senior executives and is driving business abroad. Large companies have complained the country's tax policies make it impossible to recruit overseas executives, and some groups have threat-

ened to move their headquarters overseas.

Erik Asbrink, Sweden's finance minister, yesterday indicated the proposals would involve the first across-the-board tax cuts for several years.

"I would like to see income tax cuts for everybody," Mr Asbrink told the *Financial Times* in an interview.

"We are coming close to the time when the government will put forward concrete proposals and guidelines on tax reform."

Sweden has the highest marginal tax rates in the European Union. High-income earners pay tax at 56.7 per cent, while those on average incomes pay 36.4 per cent. In addition, Swedes are faced with a 1.5 per cent wealth tax, property tax and double taxation on dividends.

There have been growing calls for tax cuts from Sweden's centre-right opposition parties and business leaders. Ericsson, the telecommunications group and Sweden's largest exporter, has been particularly vocal in critic-

ising the tax regime. Last year it announced plans to move some corporate functions to London.

Mr Asbrink, however, denied the reforms were simply a response to criticism from industry. He noted that Sweden's corporation tax remained one of the lowest in the EU at 38 per cent.

"Everyone has endured higher taxes during the 1990s," he added. "Lower and middle income earners have not escaped."

Earlier this week the finance minister discussed

tax reforms with opposition parties - part of an on-going dialogue aimed at achieving a consensus on fiscal policy.

Although he did not rule out reforms in dividend and wealth taxation, Mr Asbrink emphasised that the cuts were likely to focus on labour costs and income tax.

It is understood the government is considering abolishing the 6.95 per cent tax introduced on all incomes in 1992, levied ostensibly for state pensions. Taxation experts also predicted the

so-called *varnsskatt* - an extra 5 per cent levy on those earning more than SEK2,400 (\$4,000) a month - would be cut or withdrawn altogether.

The tax reform programme is expected to be unveiled in the spring, possibly coinciding with the government's April 14 budget.

The Swedish taxpayers' association, which has long campaigned for lower taxes, has demanded a flat rate income tax of 30 per cent. Such a radical reform remains highly unlikely.

COMMON AGRICULTURAL POLICY TALKS OVER SWEEPING REFORM TO RESUME NEXT WEEK

Farm deal eludes EU ministers

By Michael Smith in Brussels

European Union farm ministers are to resume on Tuesday their quest for wide-ranging reform of the common agricultural policy, after failing to reach a deal in four days of negotiations that ended yesterday.

In spite of progress in most main reform areas, governments remain sharply divided about the shape of the final package. Diplomats warned a deal might only be agreed at a heads of government summit on March 24, but could take longer.

Problems were compounded when some governments, meeting near Bonn yesterday for an informal summit, indicated they wanted farm ministers to take a tougher stance on cutting spending.

President Jacques Chirac of France said the farm reform proposals would have to be reworked because they did not meet French demands. France insists there can be no agreement on agriculture without a wider accord encompassing EU finances and regional aid. Reforms are also being negotiated for these areas.

In Brussels, European Commission officials claimed broad agreement among farm ministers for changes to the EU's wine and rural development regimes. They also highlighted progress for cereals and beef.

However, governments remain divided over dairy reform and must consider various options for cutting direct payments to farmers.

Milk is difficult because some countries, including the UK and Sweden, want the EU to increase production-limiting quotas before abolishing them in 2006. Others, including France, want no change.

A compromise proposed yesterday by the Commission and Germany, holder of the EU's rotating presidency, would increase quotas by 2.4 per cent. Most countries would get 1.5 per cent, but four - Greece, Ireland, Italy and Spain - would receive more.

Under this compromise, guaranteed prices for milk would fall 15 per cent, as the Commission originally proposed, rather than the 10 per cent suggested in a proposed deal submitted earlier in the week but now apparently abandoned.

Compromises in other sectors would cut prices for

cereals by 20 per cent, the Commission's original proposal, and beef by 25 per cent, against an earlier 30 per cent.

German officials estimated the cost of the amended farm package between 2000 and 2006 would be €9bn (\$10bn) above the equivalent of a "stabilised" budget, frozen at 1999 levels. Options for cutting direct payments to farmers would narrow, but not close, the gap.

One model, cutting all direct aid by 3 per cent a year, would yield savings of €4.5bn between 2000 and 2006. A second, cutting variable payments by 3 per cent a year and others by 1 per cent, would yield €3.1bn.

A third model, proposed by Austria, would reduce payments for large farmers and save €1.6bn.

Leaders warned against imbalance

By Peter Norman in Königswinter, Germany

José María Gil-Robles, president of the European Parliament, yesterday warned EU leaders that the parliament would block any agreement on the Agenda 2000 negotiations that was "very imbalanced" and against the interests of the European people as a whole.

Introducing a new element of uncertainty to the complex negotiations on reform of the European Union's budget, farm and regional policies, Mr Gil-Robles warned that there would be only 25 working days between next month's special European Council meeting in Berlin, that is due to agree the Agenda, and the final plenary sitting of the present parliament. Elec-

tions for a new European parliament will be held in June.

"Parliament's positions will have to be taken into account," he said. "The less you diverge from these positions, the easier it will be to resolve the differences in the 25 short days which will remain for negotiation thereafter."

Although Mr Gil-Robles later said his remarks were "not a threat", they highlighted the new assertiveness of parliament following January's motion of censure against the European Commission.

Mr Gil-Robles noted that parliament would have to approve changes to the EU's structural funds and the "cohesion" fund paid to Spain, Ireland, Greece and Portugal.

Russia rekindles its love for iron lady

New political party, Thatcherites of Russia, draws on former British prime minister for its inspiration and ideology

By John Thornhill in St Petersburg

In tsarist times it used to be said that Russia was ruled by the *knot*, or whip. Nowadays, it seems, some Russians would prefer the handbag.

About 500 Russians gathered in the glittering hall of the House of Friendship in St Petersburg yesterday for the founding congress of a new conservative party, the Thatcherites of Russia, which draws its inspiration from the political principles and practices of the former British prime minister.

The party, backed by a secretive group of businessmen alarmed at the state of modern Russia, is wedded to the concept of parliamentary democracy, privatisation, monetarism, a flat tax rate of 30 per cent, and the creation of a Russian version of the House of Lords.

"Mrs Thatcher successfully changed the attitudes of people towards wealth creation and that is the main problem in Russia," said Ruslan Fedorovsky, a commodities trader, who is one

of the party's founding fathers. "Thatcher also curbed the bureaucracy and that too is something we need to do in Russia."

Sir Alfred Sherman, Baroness Thatcher's former adviser - described as the Engels of Thatcherism by his Russian hosts - was on hand to provide some ideological uplift. "Margaret Thatcher flashed through the skies like a comet. She brought hope," he said. "Margaret Thatcher was not a woman of ideas but a woman of belief."

A giant portrait of Lady Thatcher glowered down on the proceedings from behind the stage - even though the former prime minister has expressed no public support for her Russian disciples.

Several of the speakers from the floor, including a newspaper editor, a trade union leader, and a writer, argued that the love of the law and the virtuous economic policies championed by Lady Thatcher were universally applicable. "We are not only creating a new party but we are hoping that society will work with us to

change our mentality," said one speaker, sporting a blue rosette.

But some of the audience grew restless during a speech touching on the tax policies pursued by the former UK finance minister, Sir Geoffrey Howe. And some hecklers then seized the platform microphone to air their alternative political views.

One activist from the ultra-nationalist Liberal Democratic party screamed out that Russia must reject western civilisation. "This party has been born and will die on the same day," he said as he stormed out of the hall.

Mikhail Gorny, director of Strategiya, an independent political studies centre, said Lady Thatcher was greatly respected by most Russians but he doubted whether a local Thatcherite movement would ever take off.

"They have conservative values and human values and I hope they find their political niche. But they are very, very weak. Nobody supports them," he said.

Even one of the sandwich board men who had been hired to walk alongside the



Right on a sandwich board man braves the icy weather in St Petersburg to promote the 'Thatcherites of Russia' party. Reuters

Fontanka river to advertise the meeting had his doubts about whether a political ideology could be imported. "I think Russia has to develop its own ideas and

follow its own path," said one. And which politician would the sandwich board man support? "A Russian Pinochet," he said.

German bank acts on Russia debt

By Clay Harris, Banking Correspondent

Deutsche Bank said yesterday it had accepted restructuring terms for part of its share of the \$15bn of short-term debt (GKO/OFZ) held by foreigners on which Russia defaulted last year.

Deutsche's move is likely to split the committee of 19 international banks, which it has headed since the autumn.

Credit Suisse First Boston, which has consistently taken a more hawkish stance than Deutsche, said this week it would not accept the terms and indicated it was considering unilateral action.

In a letter to clients, CSFB said it decided not to participate in the restructuring on its own account because the Finance Ministry and central bank had not provided sufficient information.

CSFB said it was "considering all options available to obtain value" for its own holdings and those of its clients.

Deutsche is believed to have decided to accept after concluding that the chances of punitive tax treatment had receded because of legislation proceeding through the Duma, Russia's parliament.

Although vice-chair of the committee, CSFB had begun to distance itself from the panel. For example, it has stopped sending representatives to meetings, taking part only by telephone.

The committee had been divided over whether to tell investors of a detailed legal opinion it had received, which indicated that holders of GKOs, at least in Germany, France, the Netherlands and the UK, could have recourse against the Russian government under those countries' investor protection treaties.

The committee has sat on that opinion for nearly a month. According to some committee members, Deutsche argued investors should not be told of the legal opinion. The German bank denied this account, saying it had informed its own clients.

ING Barings, the Dutch-owned bank that is not a member of the committee, told its own clients this week that it had "become aware of the possibility" that such a legal right might exist. It said it was taking advice to confirm if there was such a treaty right and to ascertain the practicality of trying to enforce it.

Serbia accused of ignoring agreement

By Guy Diarmore in Bukos

William Walker, the US ambassador heading the international monitoring mission in Kosovo, yesterday accused Serbia of breaching agreements by building up its forces along the border with Macedonia and detaining 21 observers in their vehicles, some for nearly 24 hours in sub-zero temperatures.

Clashes between Serbian security forces and ethnic Albanian rebels of the Kosovo Liberation Army (KLA) also erupted close to Kosovo's southern border with Macedonia, while reporters heard Serbian tanks shelling suspected KLA positions in the central Cacak mountains.

Several hundred civilians, mostly ethnic Albanians, fled the hills on foot and by tractor, passing Yugoslav army tanks deployed near Bukos village on what Belgrade called winter manoeuvres. Aid workers said they had so far found four civilians with shrapnel wounds.

"Yes, I am alarmed by the troop build-up," Mr Walker told the *Financial Times* in

the regional capital Pristina. "It represents an example of gross non-compliance with the October agreements." It was in October that Slobodan Milosevic, Yugoslav president, agreed to a ceasefire under the threat of Nato air strikes.

"There are an awful lot of VJ [Yugoslav army] and MUP [interior ministry police] moving around," he added.

US Pentagon officials said on Thursday that Serbia had deployed about 4,500 troops backed by armour and artillery near the border with

Macedonia and some 1,500 troops in southern Serbia close to the northern edge of Kosovo. Mr Walker said it was not clear whether the Serbs were intending to mount another offensive against the KLA or were responding to a perceived threat from Nato forces stationed in Macedonia.

Nato has an "extrication" force of some 2,000 troops in Macedonia, ready to respond to any threat to the unarmed observers of the Organisation for Security and Co-operation in Europe (OSCE). The troops would

also form the bridgehead of a 23,000-strong Nato-led peacekeeping force to be sent into Kosovo if a political settlement were reached. Peace talks that ended inconclusively in France on Tuesday are to resume on March 15.

After a 22-hour stand-off on the Kosovo-Macedonian border yesterday, Serbian customs officials forcibly searched eight OSCE vehicles manned by 21 observers from several European countries. "It is a serious incident," Mr Walker said.

US officials distanced themselves from reported plans to keep the operation in place under non-UN auspices.

drawn into the Kosovo crisis when it agreed to provide unarmed monitors in the province. But, despite the ambitions of some of its members like Russia to give it a military role, the OSCE said last night it was unlikely to fill any vacuum left by the armed Unpredep mission.

US officials distanced themselves from reported plans to keep the operation in place under non-UN auspices.

The 54-nation Organisation for Security and Co-operation in Europe (OSCE) was last autumn

force across the border. They said alternatives to the Unpredep mandate, due to expire tomorrow, were being discussed in Washington.

But the US officials cautioned that even if the US contingent stayed on in Macedonia under a bilateral accord with the Macedonian government, this change in the legal base for a troop deployment would require consultation with Congress.

Nato diplomats in Brussels

UN peacekeepers to stop monitoring

By Michael Littlejohns in New York and David Suchan in London

United Nations peacekeepers will stop monitoring Macedonia's borders with Kosovo and Albania on Monday, officials said last night, following China's veto of a Security Council resolution that would have renewed their mandate.

The sudden refusal by China to allow the UN peacekeeping force to stay on in

Macedonia has plunged the US and Europe's regional security organisations into confusion about how to bolster stability in this Balkan neighbour of Kosovo.

The US provides the largest contingent of the 1,100-strong UN preventive deployment (Unpredep) force. Deploing the Chinese veto on Unpredep's renewal, US officials complained that with the volatile situation in Kosovo, this was no time to be withdrawing a stabilising

force across the border. They said alternatives to the Unpredep mandate, due to expire tomorrow, were being discussed in Washington.

But the US officials cautioned that even if the US contingent stayed on in Macedonia under a bilateral accord with the Macedonian government, this change in the legal base for a troop deployment would require consultation with Congress.

Nato diplomats in Brussels

NEWS DIGEST

STRONG DOMESTIC DEMAND

Swift French growth outstrips expectations

The French economy grew 3.2 per cent last year, the fastest rate since 1989 and marginally above official projections. Figures published yesterday by Insee, the official statistics agency, showed final-quarter growth of 0.7 per cent. This was stronger than expected after the economy grew 0.4 per cent in the third quarter.

The overall performance for the year was ahead of the 3 per cent projection on which the 1998 budget was based.

Household consumption during the fourth quarter rose 0.7 per cent, underlining the importance of strong domestic demand in sustaining economic growth. Year-on-year, household spending was up 3.8 per cent, the biggest annual jump since 1988. Total investment in 1998 also rose 4.1 per cent.

The stronger than expected growth in the fourth quarter could lead to a modest upwards revision of estimates for the current year. Private sector economists' growth predictions range from 2.2 per cent to 2.4 per cent. This compares with the government's forecast of 2.7 per cent, which still looks optimistic.

The government yesterday received some comfort on the employment front with the January jobless figures. These showed a fall in headline unemployment, dropping to 11.4 per cent of the active population from 11.5 per cent in the past three months. The jobless total has fallen an average of 12,000 each month. Robert Graham, Paris

DETAINED PKK LEADER

Police question Ocalan lawyer

Turkish police yesterday detained a lawyer for Abdullah Ocalan, the captured leader of the Kurdish PKK guerrilla group, for questioning about a petition he signed last week calling for a "solution to Turkey's Kurdish problem", Turkey's Human Rights Association said.

The lawyer, Osman Baydemir, is also the association's representative in Diyarbakir, the principal town in south-eastern Turkey, where the PKK has waged a 15-year rebellion and Kurds form a majority.

Meanwhile, two other lawyers who visited Mr Ocalan on Thursday for the first time since his capture last week reported he was in good health. But one of them, Ahmet Zeki Okcuoglu, said he feared Mr Ocalan could suffer "psychological collapse" from being held in isolation under constant questioning. The lawyers demanded the authorities allow the defence team regular access to Mr Ocalan and that he be moved from an island prison where he is the only prisoner to a regular jail. Leyla Bouillon, Ankara

RAPE CASE

Palestinian colonel executed

A Palestinian colonel accused of raping a six-year-old boy was yesterday executed by firing squad after a short trial by a military court in Gaza.

The death penalty, ratified by Yasser Arafat, president of the Palestinian Authority, was condemned by human rights groups but welcomed by Gazans who are increasingly critical of power and corruption in the police forces. It was the second execution since the Palestinian Authority was established in 1994.

Ahmed Abu Mustafa was arrested and sentenced after residents of Khan Younis, a poor town south of Gaza City, held demonstrations, burned car tyres, closed streets and sprayed walls with graffiti naming the colonel and demanding that the Palestinian Authority carry out the death sentence. Judy Dempsey, Jerusalem

US PRESIDENTIAL RACE

Senator Kerry to skip elections

Senator John Kerry, the Massachusetts Democrat, has decided not to take part in the 2000 presidential race. The three-term senator had strongly considered challenging Vice-President Al Gore, the front-runner for the Democratic nomination, hoping to push for better early childhood education and healthcare programmes.

At the same time, Mr Kerry complained about the burden of organising and raising more than \$20m especially since the campaign period has already been shortened by President Bill Clinton's impeachment trial.

Mr Gore's only announced competitor to date is former Senator Bill Bradley of New Jersey, but Mr Kerry's decision is expected to prompt renewed consideration of the race by others, including Jesse Jackson. AP, Washington

M&S IN ISTANBUL

Stores forced to close

All five Marks and Spencer department stores in Istanbul were closed yesterday after their merchandise was seized by a creditor bank of the retailer's franchise holder for Turkey.

Izzet Tukin, chief executive and vice-chairman of Turk Petrol Holding, which holds the M&S franchise, said the legal action was launched by Disbank, a medium-sized Turkish bank, to try to recover debts of \$1.5m owed by the group.

Mr Tukin said Disbank had targeted M&S because "that is where the cash is". M&S operates as an upscale department store selling everything from tea to underwear to the Turkish middle-classes. Shops in Ankara, the capital, were still open yesterday but offering a limited selection of goods.

Upmarket retailing is one of the healthiest sectors in this fast-growing market of 60m consumers. But Turk Petrol Holding, a conglomerate that spans sectors from insurance to shipping, said it had fallen prey to twin difficulties: a squeeze on cheap lending by foreign banks as a result of the emerging markets crisis, and sky-high domestic interest rates. Leyla Bouillon

CAMBODIAN REFORMS

Donors to monitor progress

International donors said at the end of a meeting in Tokyo yesterday that they planned quarterly reviews of Cambodia's progress on a number of crucial economic and social reforms after promising to give the impoverished south-east Asian country \$470m in aid over the next year.

Cambodia had requested \$1.3bn over the next three years but donors backed away from formally committing that sum until the prime minister, Hun Sen, could show he was serious about implementing promised reforms in the area of military demobilisation, logging, and fiscal reform.

Aid officials say that in practice most projects take longer than one year to implement and that it will be difficult for donors to halt aid over the next three years should Mr Hun Sen renege on his promises.

Within the aid package, Japan will be the largest donor, committing \$100m, and is considering resuming long-term, low-interest loans to the country. Ted Bardecker, Bangkok

27/11/2015

Summers warns Japan of worsening outlook

By Michio Nakamoto,
Paul Abrahams and
Julie Hess in Tokyo

Larry Summers, deputy secretary of the US Treasury, yesterday stepped up pressure on Tokyo, warning that the outlook for the Japanese economy had deteriorated and urging the government to stimulate domestic demand-led growth to avoid deflation.

Mr Summers, who was in Tokyo at the end of a tour of the region, said: "Prospects for Japan look worse than they did a few months ago, with forecasts now expecting another year of negative growth in 1999 and the IMF and private forecasts projecting a decline in prices."

"The global economy will not be able to fly permanently on a single engine. A global economy simply cannot be fully successful without a successful Japan."

He also emphasised that Japan needed to ensure sustainable domestic demand-led growth and warned that a weak yen to boost exports would not be an acceptable

alternative. "The exchange rate cannot be a substitute for policy," he said.

The dangers of deflation in a deteriorating economic environment were underlined by grim economic data published yesterday. Consumer prices last month declined 0.5 per cent year on year, while retail sales dropped 5.6 per cent and industrial production fell more than 7.5 per cent.

Housing starts fell 11.2 per cent year on year, marking the 26th monthly decline in a row and the lowest level in 14 years.

But industrial production rose 0.8 per cent month on month, seasonally adjusted, and inventories declined by 1.7 per cent in January.

Separately Richard Fisher, deputy US trade representative, speaking in Manila, called on Japan to further deregulate its economy.

"The driving force behind America's success today has been deregulation," he said.

Mr Fisher, who will visit Japan early next month, stressed four main areas to be discussed at a meeting

next week: telecommunications, medical technology and pharmaceuticals, retail distribution and regulatory transparency.

The Japanese government's official stance is that the measures taken so far are sufficient to produce economic growth of 0.5 per cent in the year to March 2000.

The yen fell from ¥119 to the US dollar to ¥121 after Yukihiko Ikeda, policy chief of the ruling Liberal Democratic party, said that Mr Summers had indicated that Japanese monetary policy was the best macro-economic tool for boosting the economy.

Japanese leaders have also been reluctant to acknowledge the deflationary dangers facing Japan.

In spite of a continuing fall in consumer prices, "it cannot be said that... we have entered a deflationary spiral", an official at the Economic Planning Agency said.

Mr Ikeda said: "Summers says so, so that, but we will continue with steps already in the works."

Indonesia postpones bank restructuring

By Sander Thoenes in Jakarta

Indonesia's government yesterday delayed a long-overdue bank restructuring, fuelling allegations that officials were putting the banking sector at risk in trying to protect a few well-connected bank owners.

Ginandjar Kartasasmita, co-ordinating minister for finance, economy and trade, said a decision on which banks to close and which to recapitalise with government bonds, scheduled for tomorrow, would be delayed for several weeks. "We need more time," he said.

Mr Ginandjar added that the government's Monetary Fund, World Bank and Asian Development Bank, which have made their loans contingent on banking reforms, had been consulted for the postponement.

Banking reforms, and closures of insolvent banks, have been overdue for more than a year, leaving more than 150 banks struggling and unable to lend. A muddled closure of 16 banks in 1997 caused a run on all commercial banks, however,

causing the economy to nose-dive.

"They just don't have the guts to do it now," said Hadi Soesastro, an economist.

Central bank directors had already backtracked on pledges earlier this week, introducing the option of recapitalisation as an alternative to closure or recapitalisation. They argued that banks with a good business plan but lacking cash to pay their 20 per cent of recapitalisation funds should stay open.

Leaked lists of banks due for shutdown grew ever shorter, from 40 to 17. Indonesian publications accused the government of allowing well-connected banks to change the results of international audits, done last year, to make them eligible for recapitalisation.

"It is a very bad sign," said one government adviser. "It proves that special connections and political factors have been too powerful."

The World Bank earlier this month threatened to hold up aid if bank restructuring and other reforms

were delayed further. A policy reform support loan of more than \$500m was to have been approved by the Bank's board in March but it has already been delayed. The IMF, similarly, has yet to approve a letter of intent with Indonesia that is required for further loan disbursement.

The World Bank and Asian Development Bank sponsored creation of a Bank Restructuring Agency, but agency staff have grown increasingly frustrated as they are rarely consulted. The multilateral institutions have continued lending regardless, however, conceding that they are fearful that any hold-up could spark a new market panic and undo the rebound of the rupiah.

Bankers said the delay boosts the cost of recapitalisation, as the negative spread continues to drain the banks. Cost estimates have risen from Rp250,000bn (\$38bn) late last year to Rp400,000bn now.

Many of the banks are run down by loans to affiliated parties, well above the 20 per cent limit.

Further blow to China's state statistics bureau

By James Kyng in Beijing

The credibility of China's much derided state statistics bureau plumed new depths yesterday after it publicly admitted that some government departments had interfered with figures.

"We admit that some local governments and officials overstate economic figures for their own political advantage, resulting in exaggerated statistics," Liu Hong, the bureau's director-general, said.

His admission contrasted with his spirited defence of China's statistical veracity at the same annual news conference last year.

Padded statistics in China are regarded as "having water", possibly after an old ruse of adding water to produce at street markets where items were priced on weight.

To combat such padding, the statistics bureau has conducted independent samples and collected some data directly from the provinces.

But it is unclear how bureau staff, a long way from home, feel they can glean more accurate statistics than local officials.

The most glaring of many statistical inconsistencies last year was that the average gross domestic product growth rate reported by all 32 of China's provinces, main cities and regions was 9.3 per cent. But the state statistics bureau's GDP growth rate was 7.5 per cent, down from an official 8.5 per cent in 1997.

Zhu Rongji, the premier, criticised this obvious anomaly in a government meeting last December. Most independent economists believe that China's real growth rate

last year was several percentage points lower than the 7.5 per cent stated.

They base this on several statistics: the fact that total freight transported fell by 1.3 per cent; electricity generated rose only 2.8 per cent; and the state-owned industrial sector made a net loss.

Mr Zhu yesterday dismissed talk that China's currency would be devalued, and said the economy would grow by "no less than 7 per cent" this year despite Asia's economic turmoil. AP reports from Moscow.

"Our national currency, the yuan, remains steady because we maintain a trade balance and large currency reserves," Mr Zhu told Russian businessmen at a luncheon.

"I assure you that there will be no devaluation in China."

HK prepares fruitless attempt to balance its books

The former colony must update its fiscal policies if it is to plug its deficit and reduce reliance on property, writes Louise Lucas

Hong Kong housewives, students and erstwhile tycoons have been doing it all year. Next week it is the turn of Sir Donald Tsang, the territory's financial secretary, to try to balance falling revenues with bloated expenditures.

It is a fruitless task, and Sir Donald is expected to announce a budget deficit of some HK\$450bn (US\$58bn) when he reveals his budget on Wednesday.

The territory's fifth post-war budget deficit is at odds with the edicts of the Basic Law, the post-colonial mini-constitution that requires the former British colony to "strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product".

Drawn up at a time of towering surpluses, the law articulated existing policy. But matters have changed. With the Asian financial crisis, Hong Kong's property bubble has burst, recession has come and government revenues have tumbled.

Yet the deficit is very much of Hong Kong's own making. Government revenues, like those of the private sector, are geared towards property. About one-third of total government income comes from property and this reliance has soured with the market's collapse.

The government last year introduced a nine-month moratorium on sales of new land, which belongs to the government, initially forecasting the move would contribute to a budget deficit of about HK\$21bn. Economists

estimate that a continued suspension of land sales into next fiscal year would have added another HK\$25bn to the estimated HK\$30bn-HK\$35bn shortfall.

By contrast, taxpayers are treated with a light touch. About half the workforce pay no income tax; less than 10 per cent pay the top rate of an effective 15 per cent.

There is little room for manoeuvre on the expenditure side. Hong Kong is a thrifty spender - government spending is about 20 per cent of GDP and the biggest portion of recurrent expenditure (about one-fifth) goes to education.

The government has other costly obligations. About HK\$1.5bn this year, equivalent to almost 9 per cent of estimated revenues, will finance civil service pension payments.

That Hong Kong continues to pay out generous benefits to its 180,000-strong civil service from income is at odds with modern prudent accounting policy, and could expose the government to a big contingent liability. Payment is on a defined benefits basis; Hong Kong civil servants, who are among the highest paid, receive a per-

centage (depending on seniority) of their salary on leaving.

It is a potential timebomb which, according to Jennifer Wong, a partner at accountants KPMG, undermines the territory's hefty US\$90bn reserves. "The reserves amount should not be that much because the government has not taken into account contingent liabilities, in particular pensions payable to civil servants."

The government admits the system - modelled on the UK civil service more than 150 years ago - has failed to keep pace with current trends.

Thomas Chan, a policy secretary in the civil service department, says: "We are aware of the potential financial liability, and are reviewing the nature of the pension system itself. At present it has been too good at keeping people."

While the public awaits possible reforms in the civil service, the private sector is advising on ways to plug the deficit and reduce the Treasury's reliance on property income.

A popular recommendation has been the introduction of a sales tax. Bank of



Sir Donald Tsang will announce his budget on Wednesday AP

East Asia calculates that a 5 per cent tax on consumer goods would produce a relatively steady income stream of HK\$25bn-HK\$30bn a year, equivalent to 11-13 per cent of government revenues last fiscal year.

The bank believes a tax weighted towards non-essential goods would be fair and more transparent than the "invisible consumption tax" drawn from property.

More offbeat notions include a departure tax at Lo Wu, beside the mainland border. A HK\$10 levy would reap some HK\$700m a year

and, proponents say, discourage shopping in cheaper Shenzhen.

More practical, perhaps, are the calls to increase the rate of income tax. Mark Simpson, head of Hong Kong research at Nomura International, reckons a progressive increase in taxes to 25 per cent for big earners could net an additional HK\$9bn while only having a significant impact on 1 per cent of the workforce.

That represents a tiny but powerful segment of the workforce. But Mr Simpson could count on support from some in this camp: Li Ka-shing, a property tycoon, has called for a rise in income tax for big earners.

The idea that Mr Li and his ilk could be helping fund the twilight years of former UK expatriate civil servants may have a certain ring of irony. But the irony would be greater if lack of foresight now means Sir Donald's generation of civil servants become a liability too far.

Spending to increase despite economic downturn

Hong Kong said yesterday it would increase its spending next fiscal year to HK\$230bn (US\$30bn) despite the economic downturn, writes Louise Lucas in Hong Kong. This means growth in expenditure will outstrip economic growth - Hong Kong's traditional

benchmark for spending - although this will be compensated for when the economy picks up.

Gross domestic product is forecast to grow an average 3.5 per cent a year in the medium term but last year the economy shrank an estimated 5-6 per cent.

Members of the Legislative Council said the proposed increases were insufficient to tackle strains caused by recession - unemployment is at a 22-year high of 5.8 per cent, and the government has come under pressure to ease the burden and raise welfare benefits.



framing Caine, jogging brain, regaining fame

Icons through the eyes of a portrait painter, a new fitness regime for the brain and Yohji Yamamoto's second honeymoon with the fashion world. All in how to spend it magazine, free with the Weekend FT next Saturday.

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Thursday May 13

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FINANCIAL TIMES
No FT, no comment.

FINANCIAL TIMES
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GERMANY: Responsible for Advertising content: Colin A. Kennedy. Printer: Henschel International Verlagsgesellschaft mbH, Adenau-Rheinstraße 26, 53505 Bad Neuenahr, Germany. Tel: +49 224 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, No. 1148-2753, Commissioned by the Financial Times Group Limited, London SE1 9EL.

FRANCE: Publishing Director: P. Maréchal, 42 Rue de la Paix, 75002 PARIS. Telephone (01) 3796 8254, Fax (01) 3796 8253. Printer: S. de la Paix, 1521 Rue de la Paix, F-75002 Paris. Tel: +33 1 47 99 10 00. Editor: Richard Lambert, ISSN 1148-2753. Commissioned by the Financial Times Group Limited, London SE1 9EL.

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INTERNATIONAL

Brazilian senators give bank chief a grilling

By Geoff Dyer in Brasília

Arminio Fraga, the former Soros Fund Management executive who has been nominated to head Brazil's central bank, was criticised yesterday by opposition politicians at a Senate confirmation hearing.

Mr Fraga fended off questions from leftwing senators about allegations of insider trading by Soros funds as a result of his nomination and

about the role of hedge funds in financial markets. In his first public comments since being chosen as president of the central bank three weeks ago, Mr Fraga said the government's priority was to use monetary and fiscal policy to prevent inflation coming back as a result of the recent devaluation.

The government has a comfortable majority in the Senate which should guarantee Mr Fraga's confirmation

next week. But ministers are worried that the furore over his links with George Soros, the billionaire investor, could damage him.

Mr Fraga denied suggestions that Soros funds had bought Brazilian bonds while he was negotiating his return to the government, in the knowledge that news of his appointment would lift the market. He told senators he had been invited to join the central bank on a Sun-

day and had resigned from the Soros group on the Monday morning. Addressing the Senate's committee for economic affairs, Mr Fraga said real interest rates could fall if the government's budget deficit was reduced and that the recession in Brazil would be worse if the country did not have the financial assistance of the International Monetary Fund.

The best method of pro-

tecting the poor is to prevent the return of inflation," he said.

He ruled out the adoption of a currency board and dollarisation of the economy. Roberto Saturnino, a senator from the leftwing Democratic Labour party, told Mr Fraga: "You will have a lot of difficulty establishing credibility as president of the central bank."

Political analysts said Mr Fraga's low-key style had

helped defuse some of the attacks. The Real weakened from R\$2.05 on Thursday night to R\$2.09 by mid-afternoon yesterday, but the fall was less than some economists had predicted.

The government announced yesterday a plan to renegotiate R\$17.4bn (US\$5.5bn) of debts held by municipalities. The debt will be refinanced over 30 years at interest rates of 9 per cent plus inflation. "Given the

conditions of the municipalities, it is unrealistic to suppose they can pay off their debts," the Finance Ministry said.

President Fernando Henrique Cardoso met 26 state governors yesterday to discuss their financial situation. The only governor not to attend was Raimundo Francisco de Oliveira, who has declared a moratorium on debt repayments to the federal government.

US attack on China rights record

By Stephen Fidler in Washington

The US yesterday condemned China's human rights record, citing a sharp deterioration in the final months last year caused by a crackdown on organised political dissent.

The annual State Department assessment on the human rights performance of 194 countries, which runs this year to more than 5,000 pages, is significantly more critical of China than last year's report. The harsh criticism comes ahead of the visit next week to China by Madeleine Albright, secretary of state, and amid heightening US-China tensions over other issues such as security.

"In China the government's human rights record deteriorated sharply at the end of 1998 with a crackdown on organised political opposition," Harold Hongju Koh, assistant secretary of state, said in the introduction to the report.

The 78 pages devoted to China said the government's "widespread and well documented human rights abuses" stemmed from the authorities' "very limited tolerance of public dissent aimed at the government, fear of unrest and the limited scope for inadequate implementation of laws protecting basic freedoms."

However, it did note some positive trends. "Society as a whole continued to be much more open and diverse. Academics and government officials continued to debate formerly taboo subjects such as political reform and democratisation in official channels," it said.

The report's introduction noted that some traditionalist repressive governments had granted citizens greater individual authority over economic decision-making, but without any relaxation of controls over political activity.

In a section on the rule of law, the report was also critical of the continuing trial in Malaysia of Anwar Ibrahim, the former deputy prime minister. During the trial "the judge failed to protect the defence from transparent abuses by the police, including raids on the defence attorney's office and harassment of defence witnesses", it said.

It also criticised in this section President Alberto Fujimori of Peru. The Peruvian judicial system "continued to be inefficient, often corrupt and easily manipulated by the executive branch".

The 1998 Human Rights Report is available on the internet at <http://www.state.gov>.

Sharp drop in coca cultivation

By Stephen Fidler in Washington

Successful crop eradication efforts in Peru and Bolivia led to a sharp drop last year in Latin America's coca growing areas, bringing the acreage now devoted to growing the raw material used to make cocaine to its lowest level since 1987, the US State Department said yesterday.

Its annual International Narcotics Control Strategy Report said the fall came in spite of a sharp rise in Colombian coca cultivation, repeating a pattern already established last year.

The report was published on the day the government was to announce the result of its "certification" process, in which countries are assessed on their co-operation with the US in combating illicit drugs. Statements by US officials yesterday suggested that the key Latin American drug producing and transit countries - Colombia and Mexico - would be certified as allies in good standing in the drugs fight.

The report said Colombia had become the "premier coca cultivation country", displacing Peru and Bolivia. "Rather than rely on a vulnerable supply of coca products from other Andean growers, the Colombian organisations have gradually moved toward a vertically integrated cocaine industry."

With many coca areas in Bolivia and Peru rendered uneconomic, and the disruption of an "air bridge" between Peru and Colombia, the drug cartels had sought to bring their production closer to home. Coca cultivation had increased particularly in two Colombian prov-

inces, Cauca and Putumayo, rebel strongholds where government spray aircraft could not operate effectively.

The report said the area under cultivation in Peru dropped from 68,800 hectares to 51,000 last year, while in Bolivia cultivated areas dropped from 45,800 hectares to 38,000. However, the rise in Colombia was from 79,500 hectares to 101,800.

Peru remained the largest producer of coca leaf, as its plants are more productive than those grown in Colombia. Production dropped from 130,200 tonnes in 1997 to 95,600 in 1998 in Peru, and from 70,100 tonnes to 52,500 in Bolivia, while rising from 63,800 tonnes in Colombia to 81,400. However, overall production was lower than at any time in the last 12 years.

The report said that Mexico now rivalled Colombia "as the main transit and distribution hub for drugs moving to the US".

It also highlighted what it called the "potentially serious drug threat from heroin". Estimates of the US heroin addict population, steady for many years at 500,000, have been revised upwards. A disturbing trend of multiple drug use was that increasing numbers of the country's 2.1m hard core cocaine addicts were using heroin to cushion the "crash" that followed the euphoria of crack use.

It said the area in which the opium poppy, the raw material for heroin, was being cultivated had also fallen.

However, the area under cultivation in Colombia fell by 500 hectares to 6,100, but rose in Mexico from 4,000 hectares to 5,500.

Iran's revolution continues with the advent of 'Tie-guy'

Khatami is encouraging his people to play an active role in politics by expanding the choice of candidate, writes Robin Allen

For the first time since the Islamic revolution in 1979 a candidate in Iran's local elections yesterday campaigned with a portrait showing him clean-shaven and wearing a tie.

Sadegh Samii, a 47-year-old publisher known in Farsi slang as *kera wazi* ('Tie-guy'), ran on the slogan "neither right nor left: my beloved country Iran". He says his tie reflects modern technology and will win him votes.

More than 20m of Iran's 40m-strong electorate were expected to cast their ballots yesterday to choose 720 mayors and some 200,000 local councillors across the country. A high national turnout, an average of 40-50 per cent nationwide with up to 70 per cent in the more politicised cities, would be regarded as a triumph for the reformist government of President Mohammad Khatami.

The president pleaded this week for people to vote. "I want to see massive public participation," he told voters. "I want people to play

an active political role in deciding their future." Even hardened sceptics who feared, at least until Mr Khatami's landslide victory in national elections nearly two years ago, that the 1979 revolution had done little more than substitute the Shah's rule for a religious dictatorship, see these local elections as the first genuine example of public expression.

For the first time, yesterday's elections were largely free of pre-ballot rigging, the attempt by unelected autocratic bodies to weed out candidates not to the liking of the hardline forces. Traditional methods of political control, which would have required the vetting of more than 300,000 candidates, have largely broken down.

According to Mostafa Tajzadeh, the deputy interior minister, some 900 hopeful candidates barred by the conservative-dominated supervision council were allowed to stand.

This phenomenon is already an achievement for Mr Khatami, who has com-



Women on the outskirts of Tehran yesterday vote in Iranian local elections

combined a conciliatory approach to his opponents with a relentless determination to implement both the spirit and the letter of the 1980 constitution.

Difficulties confronting the president and his supporters still abound. Traditionalists who control the state radio and television failed to explain the elections to voters in rural areas, where in many cases candidates are few and where voter turnout, greatly influenced by the mosque

through Friday prayer leaders, could be low.

By contrast there was a surfeit of candidates in Tehran and large provincial cities.

The hardliners, according to Ali Movahedi-Savaji, an ultra conservative MP and head of the supervision council, are still threatening to declare the elections null and void. But the scale of the public outcry would render this impossible if reformist candidates were elected by large majorities.

The full results are unlikely to be known until Monday, but the scale of the turnout will provide an early indication of support for Mr Khatami.

A positive vote would reinforce his power and authority, critical factors on the domestic scene.

A success in the local elections would also reinforce his standing abroad, particularly important before his official visits to Italy and the Vatican, followed by France and Saudi Arabia.

Guatemalan Maya 'victims of genocide'

By James Wilson

Pressure to put Guatemala's former military leaders on trial for war crimes is likely to grow after a "truth commission" found that the country's indigenous Mayan people were victims of genocide during three decades of civil war.

The commission, established to investigate the conflict, concluded that the army was overwhelmingly responsible for hundreds of peasant massacres.

"The majority of human rights violations occurred with the knowledge or by order of the highest authorities of the state," said the Commission for Historical Clarification.

Human rights workers welcomed its findings and said they were preparing to press for prosecutions. The commission said the worst atrocities occurred from 1981 to 1993, when the army pursued a scorched earth policy and Guatemala was ruled by generals. One

general, Efraín Ríos Montt, remains an influential opposition figure.

Commission officials spent a year collecting often graphic testimony from victims and participants, a mandate agreed as part of the peace accords that ended the conflict in 1996. Leftwing guerrillas had been fighting the government for 34 years.

The commission's report, published on Thursday, did not name those involved, but urged prosecutions for genocide and called on the government to launch its own investigation of the armed forces.

Its findings provide a test of will for President Álvaro Arzu's government, which signed the peace accords but has been accused of lethargy in implementing some of their requirements. No senior military figures have yet come to trial for war atrocities.

"The excuse that lower ranking army commanders were acting with a wide margin of autonomy and decen-

tralisation without orders from superiors, as a way of explaining that 'excesses' and 'errors' were committed, is an unsubstantiated argument," said the commission. "Many massacres and other human rights violations committed against [Mayan] groups obeyed a higher, strategically planned policy."

The commission also urged a shake-up of the armed forces and payment of reparations to victims.

The Maya, the inhabitants of Central America before the Spanish colonisation, make up about half of Guatemala's population but have long been marginalised.

Most live a subsistence existence in the country's highland regions. The commission documented more than 680 massacres in Mayan communities, and highlighted assistance given to the Guatemalan army by the US Central Intelligence Agency. It put the number of civil war dead and disappeared at 200,000.

US GDP rises, inflation slows

By Nancy Dunne in Washington

The "miracle" US economy grew by 6.1 per cent in the last quarter of 1998, while inflation advanced by 1 per cent, its slowest pace in four decades, the Commerce Department said yesterday.

The rapid growth in the final quarter over the previous period pushed the annual gross domestic product figure to 3.9 per cent. This would have been higher were it not for a record \$18.6bn trade deficit for the year. In the fourth quarter, however, exports made gains and imports fell.

This is frightening sometimes, but sustainable," James Paulsen of Norwest Investment Management in Minneapolis said of the high growth rate. "We're in a deflationary boom. Falling prices are stimulating consumption and investment spending."

The GDP estimates, released yesterday, were based on more complete data than were available last month, when the Commerce

Department put the annual rate at 5.6 per cent. Factors contributing to the gain were an improved trade picture, higher personal consumption spending for durable goods and equipment purchased by factories.

Growth was strongest in sectors most affected by lower interest rates - capital goods, durables, housing and cars - Mr Paulsen said. The improvement in the trade deficit in the fourth quarter was seasonal, said Jerry Jasinski, president of the National Association of Manufacturers. "In the first quarter we are looking at a further deterioration in trade, as the emerging recession in Latin America further dampens demand for US goods."

However, the surge in fourth-quarter growth is likely to carry over to the early months of 1999. Corporations, hurt by lower exports, were benefiting from the lower import costs, Mr Jasinski said. They were investing heavily in equipment.

US puts Argentine judiciary in the dock

By Ken Warn in Buenos Aires

The organisation's members say they have been routinely harassed, their homes and offices repeatedly searched, and their phones with those of their lawyers - illegally tapped.

Two of its directors were briefly imprisoned, while members' children have been hauled in for questioning without their parents or guardians. The organisation's property was ransacked while under judicial protection. Even the president of the US has become involved.

The group that has attracted the wrath of the Argentine authorities on such a scale is the Buenos Aires Yoga School. The school, which says it is a scholarly, apolitical and non-religious body, claims it has been subject to five years of persecution at the hands of the Argentine judiciary.

The case has prompted increasing concern among a bipartisan group of US congressmen, who see it as an example of the arbitrariness and slowness of the Argentine judiciary system.

This month President Bill Clinton wrote to Tom Campbell, Republican congressman, and other legislators who have taken up the issue, expressing his concern at delays in the case.

"Like other cases in the Argentine judicial system, this case has taken too long to resolve," wrote Mr Clinton. "While I agree that we cannot intervene in the Argentine judicial process, we will continue to follow the case and urge the Argentine government to resolve it as expeditiously as possible."

The "yoga" in the school's title is something of a misnomer. The school gives courses and runs lectures on a range of philosophical and artistic subjects.

Its nightmare began in December 1993 when 24-year-old woman, filed charges that her father, a participant in the 1976-83 military regime, had repeatedly sexually molested her over a period of years. He promptly filed a counter lawsuit claiming that his stepdaughter, a member of the school, had been "corrupted" by what he termed "a cult".

The school members and directors, who fear talking to the press except on condition of anonymity, deny the charge, and the young woman continues to dismiss it as nonsense. Mariano Berges, the original judge in charge, was the subject of impeachment proceedings by Congress over his conduct in the case. He resigned from it, claiming he had been

Several US congressmen believe there is a racial motive to the harassment of the school

"bewitched" by the group. His replacement pressed on, bringing fresh charges of fraud and larceny, which were subsequently dropped. A third judge is now in charge of the case.

Pursuit of the most serious charges continues, the school maintains, despite a court ruling nullifying them.

This means the entire directorate of the school still faces charges of corruption of an adult, which carries a long prison sentence.

Several US congressmen believe there is a racial motive to the harassment of the school. Jim McGovern, Democratic congressman, told the House of Representatives last year: "The reason that this highly regarded institution... has been singled out for threats, intimidation, sexual harassment and a campaign of terror is largely because many of its members are highly distinguished cultural, professional, and academic figures of Jewish background."

About 50 per cent of the school's members are Jewish. Argentina's Jewish community is the biggest in Latin America.

Mr McGovern also poured scorn on "Buenos Aires" claim that it is reforming its admittedly gangster-like judiciary into one that is less at the mercy of politics, cronyism, influence-peddling and pay-offs. "We warned of the possible effects of judicial insecurity on foreign investment."

Other senior US congressmen are concerned by the case. "It does appear that there is a history of charges being brought against various members [of the school] without foundation," wrote Henry Hyde, chairman of the House Judiciary committee, to President Carlos Menem last year.

Argentine officials say they are working hard to improve the justice system. Raúl Granillo Ocampo, justice minister, has announced plans to simplify court proceedings, introduce new technology and promote alternative conflict-solving mechanisms, such as mediation and arbitration. The country last year also set up a bipartisan body to oversee the appointment of judges and supervise their work.

Since the affair began the school's membership has dwindled from about 1,000 to near 250. But remaining staff and members appear determined to push for the charges to be dropped. "They thought they could destroy us and take our property," said one member. "But they never thought we'd fight back."

Commodity	Unit	Price	Commodity	Unit	Price
0100	1000	10.00	0200	1000	10.00
0101	1000	10.00	0201	1000	10.00
0102	1000	10.00	0202	1000	10.00
0103	1000	10.00	0203	1000	10.00
0104	1000	10.00	0204	1000	10.00
0105	1000	10.00	0205	1000	10.00
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SMOKING FAILURE OF BRITISH CLAIMANTS' LEGAL ACTION AGAINST CIGARETTE COMPANIES REDUCES PROSPECT OF US-STYLE LITIGATION

Landmark anti-tobacco case collapses

By John Mason,
Law Courts Correspondent

The largest legal action brought against the UK tobacco industry collapsed yesterday, sharply reducing the prospect that litigation of the kind mounted successfully in the US could succeed in the UK.

The withdrawal by a group of lung cancer victims of their High Court damages claims against Imperial Tobacco and Gallaher was seen as a significant victory for the tobacco companies

and a legal landmark. Forty six of the 53 claimants withdrew from the case following a court ruling this month that many had brought their claims too late.

Under English law, claims for illness must be brought within three years of the first diagnosis, but it is difficult to assemble a group of victims and organise a claim within that period, lawyers say.

Martin Day, of Leigh Day solicitors, which brought the action, said: "The procedural hurdles are just too heavy.

You face a mountain getting to trial." He said the industry could fund every conceivable legal weapon, while courts in the UK were less sympathetic to such claims than those in the US.

Both Imperial and Gallaher agreed not to pursue the claimants for legal costs approaching £14m (\$22.4m) provided they agreed not to sue again. Although seven of the victims have not dropped their claims, it is thought unlikely another law firm would offer to act for them. Leigh Day, which was acting

on a "no win, no fee" basis, has lost £2.5m fighting the case. It and Irwin Mitchell, the other firm acting for the plaintiffs, have agreed not to reactivate the case for 10 years or any other tobacco action for five years.

Imperial's shares rose 4p to close at 731p. Gallaher's rose 17 1/2p to close at 437 1/2p.

Garth Davis, chief executive of Imperial, said: "I am very pleased. We have always maintained that our case was strong and that we expected to succeed. It will convey an important mes-

sage to others who are contemplating similar proceedings about their prospects of success."

Gallaher said: "The company and its advisers have every confidence in Gallaher's ability to defend itself and in the judicial process. Gallaher will not settle actions."

While lawyers believe it is unlikely another action will be mounted by a large group, it is possible a legal challenge might be mounted by the NHS Confederation, which represents health

authorities and trusts. The Confederation wants to recoup the costs of treating smoking-related illnesses from the industry and is consulting members on whether to launch a study into taking the industry to court.

Such a case, brought by public bodies, would resemble successful US claims brought by states suing for the costs for treating smoking-related illnesses. But health ministers have indicated they would disapprove of public money being spent on costly litigation.

Police feel the heat from every side on streets of London

Jimmy Burns talks to officers under pressure for the failure to solve the murder of black teenager Stephen Lawrence

In 1978 Brian Paddick, a 19-year-old police recruit, told a television interviewer that his ambition was to be commissioner of London's Metropolitan police force. Twenty-one years later he claims not to be in such a hurry to get the job.

As divisional commander of the south London borough of Merton, Chief Superintendent Paddick yesterday was faced with the thankless task of addressing the men and women under his command on the subject of the Macpherson report into the murder of black teenager Stephen Lawrence in 1993.

"It was a tough assignment," Mr Paddick admitted. He had to give a convincing lower management line when the entire organisation had been found guilty not just of racism but of serious failings of communication.

A strategy board in his office marks fighting racism as a priority, while a poster proclaims: "Racism. Don't let it break your work with

us to fight it." And yet Mr Paddick was addressing the troops in a week when his own commissioner had accepted that unwitting prejudice, ignorance, thoughtlessness and mismanagement had flawed the Met's investigation into the Lawrence murder.

He was thus faced with a dual task: to pass down the anti-racist message to his officers, as recommended in the Macpherson report, and to maintain police morale so that reform is possible.

"I don't shy away from the conclusions of the Macpherson report. I am telling my officers that there is no option but to change," he says. But he also told his officers that they were doing a good job.

"Exhibiting leadership also means ensuring that the borough of Merton remains a safe place to be." That morale is under pressure among the rank and file was obvious in the canteen where officers had gathered



Talking shop (from left): police officers Casper Hays, John Walsh and Chris Green in the canteen

Ashley Ashwood

to discuss what they unanimously viewed as a management "pep talk". There were no overt racist remarks; more a feeling of predominantly white officers being made scapegoats for a problem far more complex than the media had conveyed.

Twenty per cent of the population of the borough is made up of ethnic minorities yet only 10 officers out of the 300-strong force come from those groups.

Aged 24, and with 18 months in the force, PC Chris Green sees himself as part of a new generation of officers trained to be more aware of racism.

"We have been bending over backwards to improve

and yet still we are being made the whipping boys of society," he says. "What's been overlooked is that there are people who come from ethnic minority backgrounds who have a prejudice about the police and prejudice us."

Yet arguably it is at some of the longer-serving officers engrained in a different canteen culture that the Macpherson reforms are aimed.

Aged 33, and with 14 years service in the force, PC John Walsh recalled: "When I went to Hendon [police training college] the issue of race wasn't treated as a serious issue. We were told that there were other cultures but that was about it."

area of south London, who spoke on condition he remained anonymous, said: "I remember when I joined the force in the early 1980s calling a black officer 'Blackie'. I didn't think then that he thought it racist. Now if I am sitting in the canteen and call him that I can get reported. I think we've gone from one extreme to the other."

Mr Walsh believes there is a danger that the reforms brought in as a result of the Macpherson report will make the policing of ethnic minorities more difficult. "There are black youths we know are criminals who are going to abuse the system. They will think that simply

by shouting loud enough they can get away with it."

Only 31-year-old PC Casper Hays, an information technology graduate who joined the Met four years on from the Lawrence murder, was upbeat. He said: "Nobody likes to have their mistakes heard in public but in the long term the Macpherson recommendations will make people trust us more."

Among other fears expressed in the canteen was that the government and some management had passed the buck.

Mr Walsh said: "We don't want to see senior officers using this as a political game to pursue their ambitions at our expense."

Sinn Féin warns arms issue could split republicans

By John Murray Brown
in Dublin

Sinn Féin, the IRA's political wing, has warned openly for the first time of the dangers of a rebellion in republican ranks if the British and Irish governments insist the IRA start disarming before Sinn Féin can take seats in the power sharing executive.

Mitchel McLaughlin, the Sinn Féin chairman, spoke of the "unforeseen consequences" if the two governments endorsed the Ulster Unionists' demand that the IRA first disarm before Sinn Féin can become ministers in the new administration.

"I think by the time those people realise that the IRA are not going to be forced to decommission, they will have, in the meantime, irreparably damaged the Good Friday agreement," Mr McLaughlin said.

A senior UK official played down what unionists saw as an implicit threat to return to violence. Mr McLaughlin, unlike Martin McGuinness, the chief negotiator, or Gerry Adams, the party pres-

ident, was not seen as close to the IRA, the official said.

However, the official acknowledged this was the first time a senior Sinn Féin member had openly contemplated the possibility of a split - something the party is said to fear more than anything.

The comments would appear to mark a hardening of Sinn Féin's position. The warning comes as Tony Blair, the UK prime minister, met Bertie Aherne, his Irish counterpart, in the margins of yesterday's European Union summit in Bonn.

Mr Blair's spokesman said: "There are continuing problems and we have just got to stay in touch with the Irish and all the other parties and try and carry on with that."

With Westminster set to transfer powers to the devolved Northern Ireland institutions on March 10, Mr Aherne said it was "important no more time is lost" amid concern that the arms stand-off could imperil the timetable. He said "some useful progress" had been made in recent weeks.

Coastal towns urged to prepare for millennium

By Vicki Bekdash

Britain's coastal resorts are being exhorted to give themselves a facelift as part of plans to prepare Britain for tourism in the millennium.

The government wants declining seaside resorts to become "niche" holiday centres, specialising in conferences, breaks for older people or even in hobbies such as ballroom dancing or surfing.

It is also urging the tourist industry to capitalise on the recent revitalisation of the British film industry, following the example of Sheffield, which saw a flood of visitors after the success of *The Full Monty*.

The suggestions are part of a government paper, "Tomorrow's Tourism", unveiled yesterday by Chris Smith, culture secretary, which set out a 15-point strategy for improving Britain's tourist industry.

Although Britain is the fifth most popular country for overseas tourists, after

the US, Spain, France and Italy, it is in danger of being overtaken by Germany.

The number of overseas visitors in 1998 was just 1 per cent over the previous year, largely due to the impact of the strong pound.

One measure in the government paper is a new tourist body for England, to replace the English Tourist Board.

The body will concentrate on strategic work, such as research and liaising with the government. It will have an annual budget of £10m (£16m), leaving it with less money than the Scottish or Welsh tourist boards.

Extra funding of £4.5m is being allocated to promote London as a tourist destination, and £5m will be given to the British Tourist Authority to allow it to increase its overseas advertising and improve its website.

The government also announced plans to set up a grading scheme for hotels and guest houses, and an internet-based computerised booking system.

WATER THREAT MINISTER BACKS PLAN TO EXTRACT MILLIONS OF GALLONS FROM UNDER CAPITAL

Move to stop London flooding

By George Parker,
Political Correspondent

The government gave its backing yesterday to an ambitious plan to extract millions of gallons of water from underneath London to stop the capital flooding.

Nick Raynsford, minister for London, is supporting a proposal by Thames Water to pump out about 150 million gallons of groundwater a day, from 50 new boreholes.

The water table under London is rising by up to 10 feet a year, and is already seeping into deep-level underground rail stations. Geologists warn that Londoners could be using gondolas as their regular form of transport if nothing is done soon to reverse the situation. Thames Water will for-

mally announce its plan to tackle the problem at a meeting attended by those with the most to fear from London being submerged.

Insurers and London Transport are among those who may be asked to help pay for the pumping operation, which could cost about £10m (£16m) initially, and about £2m a year thereafter. Mr Raynsford has not commented on whether the government will help to meet the bill, but the Department of Environment, Transport and Regions said yesterday it supported the Thames solution.

Thames Water believes that it can use some of the water collected from the new boreholes for drinking or industrial use, and says it would pay for that part of the operation.

Other water might also be used for watering parks or cleaning streets. Some of the drier water would be put into the sewerage system and discharged out into the River Thames in east London.

The rising water table has been attributed to brewers and other industrial users having stopped taking large amounts of ground water through their own boreholes since the 1980s.

Water that fell on the North Downs over 100 years ago has slowly filtered through the chalk and is gradually finding its way into the sponge-like water basin under the capital.

Thames Water says deep structures and the foundations of buildings in London will be affected within five years, causing lift shafts to

shift - making lifts inoperable.

The company is proposing a five-stage strategy, including developing existing boreholes and opening up three new sites in central London. New wells would then be sunk in the heart of the city, with extended pumping at boreholes already owned by London Underground and London & Continental Railways, which is building the rail link to the Channel tunnel. Finally, new boreholes would be built in outer London.

The problem has been getting worse for about 30 years, but nobody seemed prepared to take responsibility for it. The Corporation of London has brought those with vested interests together to hammer out a solution on March 17.

NEWS DIGEST

ARCHITECTURE

Foster design chosen for London mayor headquarters

A radical modern design by Sir Norman Foster has been chosen by ministers for the headquarters of the Greater London Authority, to house the capital's first directly-elected mayor and 25-strong assembly. It will be built at London Bridge City, a riverside site on the south bank of the River Thames. The choice of location is likely to stimulate one of inner London's biggest development schemes in recent years. A total of 225,000 sq m of lettable space plus restaurants, retail and recreational facilities are planned for the site. Sir Norman said the development could create more than 10,000 jobs. The mayor will overlook symbols of the capital's ancient heritage at the Tower of London and, to the east, its most recent renewal, in the regenerated Docklands.

The headquarters will not be ready by the time the GLA comes into operation in July 2000. So it will - like the Scottish parliament and Welsh assembly - begin life in temporary accommodation. Nick Raynsford, the minister for London, hopes Sir Norman's building will be completed by the end of 2001.

But the development is subject to normal planning procedures and given the sensitivity of its location - opposite a world heritage site at the Tower of London - delays and complications could arise. Alan Pike, London

MILK MARKET

Farm co-operative cuts prices

Milk Marque, the dairy farmers' co-operative, yesterday cut its prices in an attempt to generate demand for its milk, which it failed to sell in January. But dairy groups suggested the new prices were still too high to attract enough bids to "clear the market". The wrangle comes at a time when the industry is under scrutiny and a Monopolies and Mergers Commission report is now with the chief trade and industry minister.

Milk Marque collects and markets more than half the milk produced in England and Wales. It attempted to push its selling prices higher in January for milk to be sold between April and October. But it received a poor response, with bids from processors amounting to only 25 per cent of the 12.8m litres a day of milk it will have available. Yesterday, it indicated prices 0.7p a litre lower than it had asked in January. Maggie Urry, London

CENTRAL BANK

Improved statistics sought

The Bank of England, the UK central bank, is to forge a closer relationship with official statisticians to improve the quality of the information it receives. The move follows the mishandling of revisions to the average earnings index last year by the Office for National Statistics. The Bank will seek a formal agreement with the ONS that will set out in detail its needs, reflecting its role as the main customer for economic data. The Bank has been stung by criticism of interest rate decisions it made last year, when it responded to evidence of wage pressures by tightening monetary policy. It believes a formal agreement with the ONS will improve the presentation of data by better determining ONS priorities. Christopher Adams, London

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Saturday February 27 1999

An increasingly lop-sided world

The signal from bond markets is that the world's leading central bankers are asleep on the job.

The outlook for the US economy now seems considerably stronger than economists on Wall Street and at the Federal Reserve expected at the start of the year. Yesterday, the US Commerce Department revised upwards its estimate of growth in the last three months of 1998 from the 5.5 per cent to an even hotter 6.1 per cent. Economic news points to continuing strength. Durable good purchases this year have been stronger than expected and unemployment is lower.

At the same time, prospects for euro-zone growth look more gloomy. Although the French economy has been stronger than expected, Germany - the biggest economy in the euro-zone - appears to be stagnating. The economy shrank during the last three months of 1998. Inflation in the year to January was just 0.2 per cent. Germany is flirting with deflation.

Bond markets have reacted to what is becoming an increasingly lop-sided international economy. During the 1980s, US and German bonds have moved in tandem. But over the last few months, they have gone their separate ways. The real economic outlook in the US economy is bad for bonds. Dismal prospects in the euro-zone are just what bondholders like. Since the start of the year, the yield spread on US 10-year Treasuries over the 10-year German bund has almost doubled, reaching its widest point this decade.

As well as the strong economic data, the sell-off in the US bond market this week was also a reaction to Alan Greenspan's Humphrey-Hawkins testimony on Capitol Hill. The Federal Reserve Board chairman was studiously even-handed in his comments. (Central bankers always are, and Mr Greenspan is the master of the art.) But while Fed policy remains neutral, the case for higher interest rates is far stronger than the case for a cut.

Price stability

Mr Greenspan noted that there are risks to growth from slowing domestic demand and international shocks. But although inflation remains low, the risks to price stability are mounting. Unless there really is a miracle, above trend growth coupled with falling unemployment and a fast drying pool of potential workers will inevitably ignite inflation.

The Fed's central forecast is for growth of 2.5 per cent to 3 per cent this year. This means a slow

down from 3.6 per cent growth over the last two years. But it hardly constitutes the sharp slowdown that the Fed, and most private sector economists have been expecting.

This continued strength means that the Fed should signal a change from its neutral stance to a bias to raise rates. The Fed may not be ready to do so explicitly. But Mr Greenspan, who chooses his words extremely carefully, wondered aloud "whether the full extent of the policy easing undertaken last fall to address the seizing-up of financial markets remains appropriate as those disturbances abate".

The answer from the US bond market was a resounding no. The price of the 30-year Treasury bond plunged, reflecting expectations of higher short-term interest rates. On Wednesday, the second day of testimony, the yield on 30-year Treasuries rose to 5.6 per cent - the highest since last August, when the Fed shifted from its bias to raise rates to a neutral stance.

Bargain hunting

Despite signs of improving bond prices amid bargain-hunting, continuing weakness in bond markets threatens to spill over into the broader US stock market. The Dow Jones Industrial Average slipped this week. In London, such worries pulled blue-chips back from Wednesday's record close.

Back in continental Europe, the uneasy struggle between finance ministers, led by Germany's Oskar Lafontaine, and the European Central Bank continues unabated. Growth in the euro-zone is slowing, inflation is non-existent, and the alarm bells are ringing. Germany and France want lower interest rates. The European Central Bank wants structural reform. Both are necessary, but the politicians and central bankers refuse to budge.

Again, the bond market is one step ahead of the napping central bankers, pricing in the inevitable ECB interest rate cut. In the meantime, the stand-off is undermining the credibility of the ECB. This, together with the sorry state of the European economy, is taking a toll on the euro.

The new European currency has fallen by almost 6 per cent against the dollar since its triumphant launch at the start of the year, even though the US is running a ballooning current account deficit, and the euro-zone a stubborn current account surplus. A weaker euro is no bad thing for the euro-zone economy. It will do little for morale at the ECB.

The path to the presidency

The winner of Nigeria's election faces a daunting task, write William Wallis and Michael Holman



Eight months ago, both Olusegun Obasanjo and Olu Falae were behind bars. Today, they are competing to become Nigeria's first civilian head of state for 15 years.

The two distinguished former jailbirds - one the country's erstwhile military ruler, the other a top civil servant and ex-finance minister - are about to demonstrate the truth of an old African maxim: that the path to the presidency passes through prison.

Yet whichever emerges victorious from one of the most peculiar election campaigns ever fought in Africa will have a daunting task ahead to consolidate the country's return to democracy.

This time last year both were victims of the ruthless and corrupt military dictatorship of General Sani Abacha. Since he died of a heart attack in June, Nigeria has undergone an extraordinary change in mood. The all-pervasive fear that accompanied a brutal regime lifted within days of his death when his successor, General Abdulsalam Abubakar, released political prisoners, and set in train the most important political transition since the end of apartheid.

Yet there is also a feeling of trepidation about an election process which has been seriously flawed, crammed into no more than six months, with the presidential candidates finally selected only 10 days ago. Three parties - two of which are backing Mr Falae as their joint candidate - were created from scratch, little more than alliances of convenience, with no policy or clear platform. The voters' roll has been inflated by millions, and bribery has been widespread. No constitution has been published to set out the way ahead and spell out the powers of the new civilian rulers.

In the run-up to today's poll, the most crucial stage of the transition, the tactics have got dirtier. Jimmy Carter, the former US president and the most distinguished of several hundred international election monitors, sounded the alarm after last weekend's parliamentary elections. If irregularities continued on the same scale today, he said, the legitimacy of the result would be in question.

No one is suggesting that it start all over again, however. Nigerians are impatient to get rid of the military at all costs; and the outside world, which proved unable to dislodge Gen Abacha, or push him down the path of democracy, wants the problem off its hands.

The continent's most populous state - 118m at the last guestimate - has become a debilitated giant, which has squandered most of the \$250bn (£156bn) it has earned from oil exports over the past 25 years. Today the economy is in deep crisis, burdened by a \$29bn external debt, and hit by the lowest price of oil for 12 years.

"There is near total collapse of infrastructure. Hospitals are unaffordable. We cannot rely on the telephone nor afford its cost. Millions of people are constantly

in search of water," according to a pamphlet distributed by the self-styled Constitutional Rights Group in yesterday's newspapers.

The problems do not end there. The legacy of Gen Abacha and his predecessors is not only an economy in a state of near-collapse, but a system whose institutions have been gravely weakened: the civil service, the judiciary, the health services and the education system. It has also undermined the constitution,

'I am convinced that Nigeria is a failed state. If we can't live as one people we are better off living separately. How separate is separate is one of the contentions'

which was intended, when drafted for the last transfer to civilian rule in 1979, to hold together a country which had already experienced a devastating civil war in the 1960s.

Although nobody is forecasting another war like the one caused by Biafra's independence bid then, the strains between the country's Moslem north, Moslem/Christian west, and Christian

east, are re-emerging. Nowhere is this more evident than in the Niger delta region, the heartland of Nigeria's oil industry. If the next civilian government falls, the long-term unity and integrity of the country cannot be taken for granted.

The restructuring of the state has become an unavoidable issue at the heart of ongoing clashes between the military and young men fighting for a fairer share of oil revenues for the delta. In a

mer capital and teeming business centre, and homeland of the Yoruba people.

Beko Ransome Kuti, a prominent human rights activist, is among an increasing number of Yorubas who believe that the demands for ethnic self-determination have grown irresistible and the question now is not whether they will be met but whether they will be met through dialogue or bloodshed.

"I am convinced that Nigeria is a failed state. If we can't live as one people we are better off living separately. How separate is separate is one of the contentions," he says.

The question is whether the victorious presidential candidate can defuse these tensions. Both are Yorubas.

Gen Obasanjo is the favourite, since his People's Democratic Party won a majority in both

houses of the future parliament, the Senate and the National Assembly, in elections last week-end. But his victory is not a certainty, because he must overcome strong hostility in his own home territory.

Since relinquishing power to an elected government 20 years ago, Gen Obasanjo has earned a reputation abroad as an international statesman while at home he has won broad national support for his campaign against ethnic politics.

Perhaps his greatest asset is his knowledge of the army, which of all Nigeria's institutions is in need of reform. But his detractors believe the sponsorship he has received from other retired generals has compromised his ability to initiate a new era of transparent leadership.

More than that, there is an abiding resentment in his home territory over his tenure as former head of state, installed by a northern-dominated military elite. Although he was responsible for handing power back to the civilians in 1979 - the only soldier ever to have done so before Gen Abubakar - his support for the northern party, led by Shehu Shagari, was believed to have tipped the balance in a close-run election against Obafemi Awolowo, the Yorubas' favourite son.

Chief Falae, a former top civil servant (he was appointed secretary to the military government in 1988), also served as finance minister. Backed by his own Alliance for Democracy, dominated by Yorubas, and the smaller All Peoples' Party, he could pick up many disaffected voters in the south-west. He could also get support in the east, whose most prominent candidate, Dr Alex Ekwueme, lost the PDP nomination to Gen Obasanjo.

A trained economist, Chief Falae played a key role in implementing Nigeria's last economic reform programme agreed with the International Monetary Fund in the late 1980s. His supporters maintain he is therefore better qualified to manage the economy and to organise a rescheduling of the country's international debt.

He has dared to broach what was previously unthinkable for any top Nigerian politician, the partial privatisation of the state-owned Nigerian National Petroleum Corporation's joint ventures with oil majors. The NNPC has been the main source of patronage and wealth for all the country's rulers in recent years.

Whichever man wins is going to have to confront the issue, in order to curb the corruption which has undermined all governments, military and civilian. If the reforms that would make this possible are not implemented, modest relief on offer from the IMF will not be available. The present regime has launched the process of negotiation, but the new president will have to carry it through, with the prospect of further austerity before recovery can take hold.

But doing nothing is no alternative. "If they think they can continue business as usual," says Clement Nwankwo, head of the Constitutional Rights Group, "there will be serious trouble."

LETTERS TO THE EDITOR

Science needs more imaginative selling

From Dr Bob Hawley.

Sir, I found your leader "The perversion of science" (February 20-21) to be a carefully balanced and persuasive commentary that should have struck a powerful chord with well-informed readers. Having been heavily involved in promoting the environmental benefits of nuclear power - particularly as a means of reducing global warming - and now having a concern with the dearth of young people studying science subjects at school, I have learned the futility of bombarding a non-receptive public with a plethora of scientific facts.

The nuclear industry suffered greatly through combating the ill-founded but emotive arguments of a streetwise anti-nuclear lobby with factual

responses that were simply impenetrable to most people. As a result, it lost the moral high ground. In a consensus society that can so easily be swayed by scaremongering statements and the media hype that inevitably follows, a more imaginative approach to "selling science" is needed and a massive change in our education systems at all levels is necessary to redress the balance.

After all, a basic grounding in a scientific or engineering discipline produces not only a better informed individual but also one who - in this rapidly changing technological age - is equipped for the widest possible range of careers. Not only is virtually every industry now entirely dependent on technology, but the

creative problem-solving skills that come from a scientific or engineering background are increasingly valued by such sectors as financial services, consultancy and general management. It is a little-known fact that there are more directors who are engineers or scientists on the boards of FTSE 100 companies than there are accountants.

So for many reasons we need to improve our science base in schools. It should be a matter of grave concern to everyone that so little appears to be being done in this regard.

Bob Hawley, chairman, Engineering Council, 10 Maltravers Street, London WC2R 3ER, UK

Three pillars of the healthy life

From D. J. Madan.

Sir, Clive Cookson missed an important point in "The science of ageing" (January 23-24): the benefits of cardio-vascular exercise and of sport in improving the quality of health and in prolonging life. Jogging, cycling, swimming, yoga and all kinds of sports involving the lungs are beneficial; also simple walking, if practised regularly. Thus, one's genes, diet and exercise are the three pillars determining the quality of health. There are other factors, such as permanent residence at high elevations (above sea level), a temperate, pollution-free climate, abstinence from smoking, alcohol and drugs and so on, but for most of the population, the first three are the most significant (unless, of course, you are hit by your neighbour's car).

D. J. Madan, No. 5 Hindustan Building, 28 Altamont Road, Bombay 400 026, India

No less guilty

From R. A. Leeson.

Sir, Martin Hoyle (Radio, February 13-14), with his "traditional insularity, ignorance and xenophobia of the British working class", was just as guilty of stupid stereotyping as was Dennis Skinner with his comment that the Germans "are getting too big for their jackboots".

R. A. Leeson, 18 McKenzie Road, Brossbourne, Herts EN10 7JR, UK

Wrong people charged with 'barbarism'

From Mr David Sawers.

Sir, You are wrong to treat the objections to the sale of genetically modified food as "intellectual barbarism". The term would be better applied to those who have claimed that genetically modified foods are safe, in the absence of evidence to support their assertion; to those who have misrepresented the results of Dr Arpad Pusztai's experiments as merely showing what happens when a poison is added to a food, when they compared the effect of genetically engineering potatoes to produce an insecticidal protein with the effect of simply adding this protein to potatoes; and to those who reacted to his results by suspending him, gagging him and dis-

missing his results as irrelevant. If the scientists concerned were truly interested in the pursuit of knowledge, and in the safety of genetically modified foods, they would have treated Dr Pusztai's results as unexpected, worrying but inconclusive, and launched more experiments. Their reaction, and that of other government scientists, should worry the public. Their conduct has been inconsistent with the best traditions of science and the public service.

Ministers seem to regard themselves as advocates of technical change, and have supported the interests of the producer, not those of the consumer. They do not appear to understand that they should represent the inter-

ests of all the people, and so may need to protect the consumer from the producer. This role implies that the government should ensure that companies wanting to introduce products as foods must demonstrate that they are not harmful if the companies themselves cannot see the commercial case for doing so. And they should ensure that the production of the new foods does not harm the environment, where the scope for damage seems most obvious.

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presidency

MEN IN THE NEWS ROBERTO COLANINNO AND FRANCO BERNABE

Princes of the gambit

Paul Betts on the central players in Europe's biggest post-war takeover battle

The two men are in some ways similar. Both have proven records as crisis managers: both have pulled great names of Italian commerce back from the verge of collapse. Both have worked in American companies or been educated in the US. Both see themselves as modern princes of Italian business. But, this week, through all-night board meetings and soap-opera like episodes, the two have found themselves on opposing sides of Europe's biggest post-war takeover battle.

The first, Roberto Colaninno, is the chief executive of Olivetti. He likes to go fishing with a group of friends in Patagonia. This year he preferred to stay home to try to catch a whale: Telecom Italia.

The second, Franco Bernabe is that company's new chief executive. Baby-faced and with a deceptively mild manner, he is preparing formidable defences against his rival's US\$88bn (£36bn) hostile and highly leveraged bid. The fight has shaken Italy's business establishment to the core and tested the country's attempts to embrace a new, Anglo-Saxon-style capitalism.

Mr Colaninno is the last person one would imagine

becoming the T. Boone Pickens of Italian finance. Barely two years ago, he was a relatively unknown businessman from the rich provincial city of Mantua in northern Italy. He started as an accountant before going into car components. He worked for US and UK groups, before founding an auto parts company called Sogefi.

In September 1996, he got a call from Carlo De Benedetti, the former Olivetti chairman and Italy's undisputed takeover artist of the 1980s, asking him to salvage the information technology and computer group.

There could be no greater contrast between the flamboyant Mr De Benedetti and this 56-year-old model of the successful north Italian provincial entrepreneur. "I was living happily and quietly at Sogefi," said Mr Colaninno at the time. "I accepted [because] it was an opportunity difficult to repeat in my professional career."

Now lightning seems to

have struck again. "I wanted to grow in telecommunications and Telecom Italia seemed a unique opportunity," Mr Colaninno said this week. The company had undergone a dramatic privatisation. It had suffered a series of top management upheavals. Its share price had collapsed. Morale was low. So after sounding the political mood, gathering a mixed band of other northern businessmen and bankers, backed by Mediobanca, the Maffei-Pavelloni Milan merchant bank, Mr Colaninno made his move.

His chances of success might have been higher three months ago. The appointment last November of Franco Bernabe as Telecom Italia's new chief executive suddenly provided the privatised telecoms group with one of the toughest and most accomplished crisis managers in Italy. The battle for Telecom Italia has thus also become a battle between two new princes of Italian industry.

The 50-year-old son of a railway worker, Mr Bernabe walks or rides a bicycle to the office. At 18, he went to live in Portland, Oregon, without a word of English, and gained an American high school diploma to work subsequently as an economist at the Organisation for Economic Co-operation and Development, then as a strategist at Fiat, before joining the Eni oil group. There, he was called to lead the state oil company out of a quagmire of political and financial corruption that erupted "like an atomic bomb," he once said, during the 1992 "clean hands" investigations launched by Milan's anti-corruption magistrates.

When he took the reins of Eni, the company was corrupt, bloated and losing money. He organised its successful and gradual privatisation, restructuring, and selling off hundreds of subsidiaries and refocusing it on its core oil and gas businesses. In doing

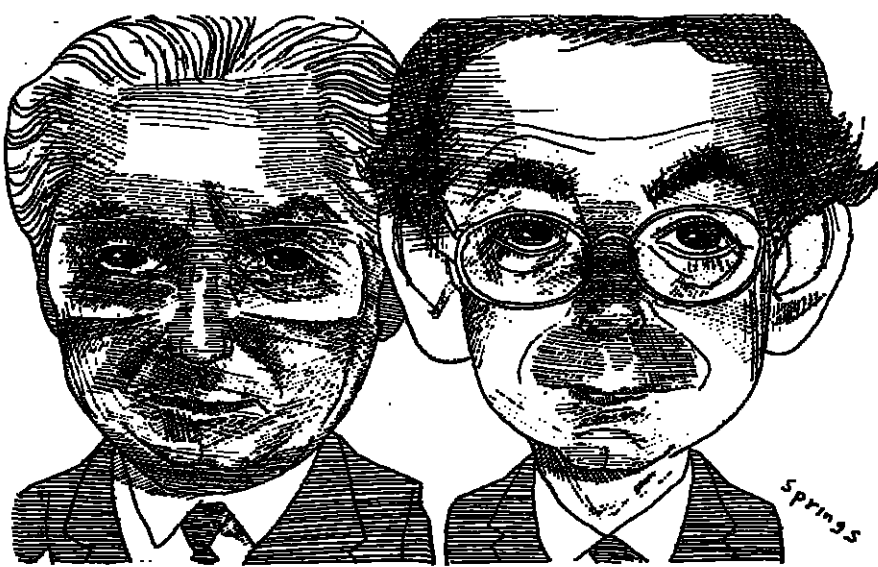
this, he transformed Eni into one of the most profitable oil majors. The world noticed. Harvard Business School last year introduced an Eni case study into its curriculum.

Mr Bernabe is a loner, a chess player, and an avid student of military strategy. One of his favourite works is *The Art of War* written 2,500 years ago by the Chinese general Sun Tzu.

"It's the first comprehensive text on strategy that can still be applied to all kinds of human activity," he told the Harvard Business Review.

"Some of his observations remind me of chess. You know, more or less, how to react when you play with an opponent at your level. But when you play with someone who is relatively new to the game, you may end up losing because his moves are so unpredictable," he added.

"Perhaps Mr Bernabe initially underestimated his unexpected opponent. A few weeks before Mr Colaninno's



bid, he apparently scoffed at the idea when Massimo D'Alema, the prime minister, told him it was in the air. This week he was in combative mood and seemed both confident and pleased with the dramatic turn of events.

"I'm lucky," he said. "A crisis like this mobilises an entire company and helps it to define the objectives of restructuring in a coherent, precise way." In short, he expects the hostile takeover battle will help him speed up the process of reshaping and

refocusing Telecom Italia. "When a small competitor shows up at your front door and instead of knocking tries to kick it down, the company is humiliated. The world for the company's people suddenly turns upside down," he said. He also told his unions that whatever the outcome of the battle, one thing was clear: Telecom Italia's survival depends on its own ability to create profits and value for all its shareholders.

One other thing is certain.

Messrs Bernabe and Colaninno are already changing Italian attitudes to business. Instead of following this week the annual Sanremo song festival with the usual obsessiveness, Italians have been talking mainly about the "mother of all takeover battles".

Even Roger Clinton (brother of Bill), Mikhail Gorbachev, and Cher, all appearing on the Sanremo stage this week, could hardly lift the television audience ratings.

The ups and downs of airline fares

Prices vary hugely as carriers attempt to sell seats at the market rate, writes Michael Skapinker

If you bump into a friend in an airline departure lounge, don't ask how much he paid for his ticket: it could ruin your flight. You might discover your friend paid £198 (£317 for his British Airways return fare from London to New York. You, on the other hand, paid £3,200 (or your company did).

You are travelling business class, of course, while your friend is in steerage. You will get a wider seat, a free newspaper, slightly better food and some sleep. But does that justify £3,000 extra?

And if you and your friend begin discussing fares with people around you, you will find almost everyone seems to have paid a different price. This is not just for London-New York, or just for BA. On any flight, there are dozens of different fares.

How on earth can this be? Airlines charge such widely diverging fares partly because they can get away with it. A business class traveller's fare has probably been paid by his or her employer. Economy class passengers are more likely to pay for their tickets themselves and would not tolerate extortionate fares.

However, airline ticket pricing is also an attempt to solve a broader phenomenon, one familiar to market fruit sellers and theatres. The seats on aircraft are perishable commodities, like bananas or theatre seats. If

an aircraft takes off half empty, the seats on that flight can never be sold again. An hour before the market closes or the curtain rises, theatres or sellers can only offload their wares at distress prices. But to avoid selling seats so cheaply, airlines over the past 20 years have poured a huge amount of effort into "yield management" - the art of selling the highest number of seats at the highest possible price.

The most important point, says Aleks Popovich, BA's head of revenue management, is that when passengers buy an airline ticket, they are not simply getting a seat. "They're also paying for flexibility," he says.

To get the cheapest fares, book early. But you must accept that you cannot change to a different flight. The airlines like the early bookers. They pay well in advance. Because these customers cannot change their tickets, the airlines know a certain number of seats on a flight will be full.

But airlines also like to keep some seats open. These are for the business travellers who book later and pay much more. What the business travellers are paying for is greater flexibility. In return for their high fares, they can change flights at the last minute. If they are stuck in a meeting, they can even fail to turn up without telling the airline and the aircraft will take off with an empty seat. It is because of that risk that the airlines insist on business travellers paying so much more.

If, in the last few days before a flight, the airline discovers it still has seats unsold, it will offload them cheaply, often through inde-



Playing the market: Fruit sellers need to offload their wares

pendent "bucket" shops. But if they do that, Mr Popovich says, their yield management systems have failed.

To work out how many seats they are likely to sell at a particular price, airlines look at what happened in previous years. The information is fed into a computer that tells sales staff what fares to charge. At times of peak demand, such as during school holidays, even the cheapest fares will rise.

Why don't other travel businesses, such as trains and hotels, use the same system? They have similar problems, with seats or rooms wasted if not filled.

Mark Furlong, commercial director of Virgin Trains, says that while railways can offer cheaper tickets for early booking, they cannot match passengers to seats in the way the airlines can. Railways in the UK have to allow passengers to turn up at the last minute or buy tickets on the train, even if there are no seats left. "While we are trying to encourage passengers to pre-book, we can't stop people getting on the train, even if they have to stand," he says.

David Guillebaud, vice-president of management consultants Arthur D. Little, says hotels have been slower to use sophisticated yield management systems because their profit margins have been so much

higher than the airlines'. General managers have traditionally been powerful figures in hotels and have prevented the adoption of yield management by hotel chains. But Mr Guillebaud says this is starting to change.

The airlines, meanwhile, are examining how to make their systems even more sophisticated. Mr Guillebaud says airlines need to begin feeding additional data into their systems, such as the economic growth rate, whether consumer spending is rising or falling, and more passenger information.

Airlines know from their frequent flyer programmes who their most loyal customers are. If there are few seats left, the frequent flyer is likely to be given preference over a new passenger.

But that new customer might be more valuable. He or she could, for example, be the corporate travel manager of a large company. "We'd like to be more sophisticated," says Mr Popovich.

The additional information we'd like is: what is the long-term value of that customer to the airline? What business could they bring with them?

The more the airlines know about passengers, the more they can fine-tune their prices. Dozens of fares on a flight could become hundreds. That's progress.

Down but not out

Microsoft has been humiliated yet hopes to win its antitrust case, says Richard Wolff

To the outside world, Microsoft's four teams of attorneys and public relations executives maintain brazen self-confidence in the face of a series of embarrassments in the witness box. But privately, as the Microsoft trial goes into recess for two months, the company appears to be steeling itself for failure in the courtroom.

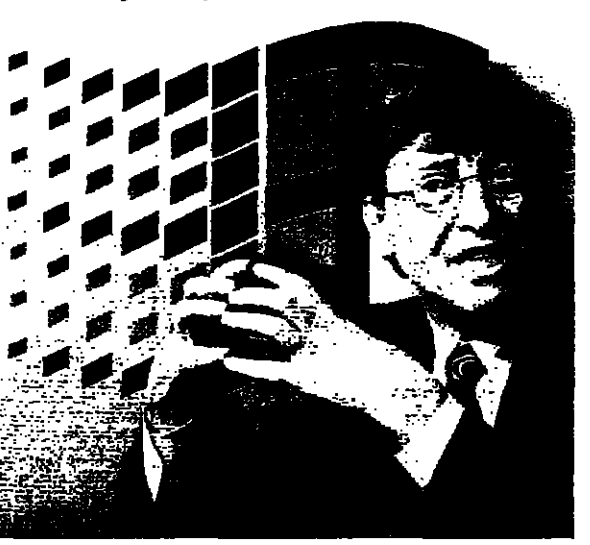
Take this week's star witness. Dan Rosen was Microsoft's executive in charge of dealing with Netscape Communications, the pioneer in internet browser software which has proved central to the rapid rise of the internet. His courtroom job was to challenge Netscape's account of a controversial meeting between the two companies in June 1995 - exhibit A in the US government case that Microsoft has consistently tried to carve up software markets.

Mr Rosen's job was relatively simple - to insist the meeting was not a summit to carve up markets but a routine affair concerned with technological co-operation. Netscape's evidence, while dramatic, was not entirely watertight. In the aftermath of the meeting, it continued to work closely with Microsoft as if nothing improper had happened.

Instead, Mr Rosen chose to challenge his own previous statements as well as those of his colleagues, including Bill Gates, Microsoft's chief executive and founder. He denied that he viewed Netscape as a rival, in spite of a raft of internal e-mails suggesting otherwise.

By the time he left the stand, he had been forced to retract his evidence so many times that he was accused of "making up" his testimony.

Behind the scenes, Microsoft executives have rubbished Mr Rosen's testimony and competence. "It was just sticking the sales rep on the stand to say what company policy was, when it wasn't



his job," said one. But the damage has been done: Microsoft has emerged from the landmark antitrust trial so far with its credibility shaken.

On video Mr Gates set the tone. It was an evasive and uncomfortable performance, as the richest man in the US stumbled over words such as "compete" and claimed to have no knowledge of Netscape's activities. To many, there were shades of Bill Clinton quibbling over "is".

Then there was the video demonstration by James Allchin, a senior vice-president and the self-styled "Windows guy". The video was supposed to show how it was not possible or desirable to take the browser out of Windows 95 (as the government wanted).

Instead, the video emerged not as a demonstration but a simulation - a version of what Microsoft believed to be true. This video, said the judge, was "very troubling".

How did Microsoft dig itself into such a hole? Those close to the case suggest that the company's insistence on its own version of the truth is partly to blame. Microsoft - and Mr Gates in particular - believes that International

Business Machines was brought down by its antitrust battles with the Justice Department in the 1980s, which placed lawyers at the heart of its decision-making.

"It is a visceral reaction that you do not see in any other company," said one lawyer. "Bill Gates absolutely refuses to let lawyers constrain the flow of communication or preside over every meeting." The downside is that the lawyers have not been able to prepare him properly for his own evidence.

The long-term question, though is whether the credibility gap really matters. While conceding some mistakes, the company insists its legal defences are still strong, whatever the judge says about its credibility. This argument is not as far-fetched as it sounds. Last summer, the court of appeals - in a separate case over similar issues - ruled that Microsoft could integrate and design its products as it pleased, as long as there was a plausible claim that it brings some advantages. The implication is that Mr Allchin's embarrassments may prove irrelevant: the appeals court insists that judges

should steer clear of "product design assessment". Furthermore, the software giant dismisses Netscape's evidence as almost without precedent in antitrust law. Even if Microsoft's offer to carve up markets were true (which it denies), the company can still argue that Netscape rejected the attempted collusion. There is no precedent for attempted conspiracy, Microsoft says.

Microsoft plans to argue that this is a victimless crime. Netscape is free to distribute its products, and intends to "carpet-bomb" millions of households with mailshots this year. Anyway, asks Microsoft, if Netscape was so harmed, why was America Online prepared to pay \$4.2bn to buy it in November?

Back at Microsoft headquarters in Redmond, near Seattle, the cascade of courtroom blunders is proving hard to ignore. Employees receive a regular e-mail update on the "true facts of the trial", which urges them to dismiss the press reports as "overly negative".

Instead, the burden of Microsoft's rescue rests on the shoulders of one man, sitting at the head of a table of lawyers each day in the Washington courtroom: William Neukom, Microsoft's general counsel. With just his closing arguments and two defence witnesses left, the pressure on Mr Neukom is considerable.

Tod Nielsen, general manager for developer relations who sends back daily reports to Redmond, says: "Every Microsoft employee knows that Bill Neukom won against Apple, and until Bill Neukom says 'worry' we don't need to worry. That goes for everybody from Bill Gates down. Neukom is a senior guy, he has proven he can win these cases, and he says it is under control." Still, the cost of victory - even if one is obtained - looks like being Pyrrhic.

When work makes slavery

The terrible history of German chemical companies during the Nazi era tests contemporary doctrines of corporate responsibility to destruction, says Tony Jackson

A group of venerable German companies - Bayer, Hoechst, Siemens and others - recently announced the setting up of a compensation fund. Its task is to atone for the slave labour imposed on countless victims in the Nazi era. But it holds deeply uncomfortable lessons for today's "morally neutral" shareholder capitalism.

It might seem odd that the issue of German corporate responsibility for Nazi evils is being addressed only now. But in the past, reparation had been the task of the German government. Slave labour, the government argued, was the responsibility of the companies which had employed it.

On the face of it, this seems ridiculous. It was the Nazi government, after all, which did the enslaving. But the argument contains an ugly kernel of truth: one which capitalism, as it bids farewell to the 20th century, would do well to remember.

Some 20 years ago I was taken round the concentration camp at Dachau, on the outskirts of Munich, by a

survivor. He was not a Jew, but a German socialist. On Hitler's accession in 1933, he had been jailed for eight years. When his term was up, he had been transferred to Dachau. Small, wiry and energetic, he still had the mental toughness which had secured his survival in the first place. Revisiting the horrors of his youth was an ordeal, but he was driven by two powerful motives.

First, young neo-Nazis would turn up at Dachau, clutching evidence which purported to show, for instance, that its crematorium had been built by the victorious Americans in 1946. He had worked in the crematorium, and was there to give them the lie.

His second object, he felt, was at least as important: to bear witness to the iniquities of German capitalism. For Dachau, despite the numberless deaths there, was not primarily a killing camp (as Auschwitz was) but a work camp, a camp for enslaved labourers.

He described how armies of inmates were marched out each morning to the neighbouring factories of BMW

and Thyssen: how the SS profited by hiring the slaves at so many pennings each a day, and spending only a fraction of that on their keep. Since the companies sold their output to the government, he pointed out, everyone made a profit - except, of course, the victims, many of whom were worked and starved to death.

In one important sense, the use of slave labour did not go unpunished. At the end of the war, the prosecutors at Nuremberg decided that corporate Germany should be put in the dock, and that one company should be chosen to exemplify the sins of the many.

The first choice was Krupp, Germany's biggest arms manufacturer. But

Gustav Krupp, its head, was too senile to take the stand. The prosecutors turned to I.G. Farben.

Formed through a giant merger in 1925, I.G. Farben comprised virtually the entire German chemical industry. Its chief constituents were the long-established companies of Hoechst, Bayer and BASF.

I.G. Farben turned out key supplies for the German war effort, such as synthetic oil and rubber. It designed a vast complex to make those two products. The site chosen was Auschwitz.

As described in Joseph Borkin's authoritative *The Crime and Punishment of I.G. Farben*, the company went further. The plant was four miles from Auschwitz, and the workers wasted a couple of hours a day marching there and back. So I.G. Farben built its own concentration camp at the plant, and staffed and ran it on SS lines.

It was mainly for this that I.G. Farben was put on trial. At Nuremberg, 12 senior executives were jailed for terms ranging from one to eight years. The Allies then

split the company back into its original constituents: Hoechst, Bayer and BASF. One of the company's dominant figures, the scientist Fritz ter Meer, got seven years. When he emerged from jail, he was at once appointed chairman of Bayer.

One charge was not laid at I.G. Farben's door: its production of Zyklon B, the poison used in the Nazis' gas chambers. Zyklon B was a commercial pesticide, which had been sold internationally before the war.

The poison was cyanide-based. Like many pesticides - including Sevin, whose leaked ingredients killed thousands at Bhopal in 1984. It was the SS, in its hunt for ways of killing people, that hit on its alternative use. The SS then ordered large quantities of the product - and the company prudently complied without asking questions.

But at one point it protested, at least initially. Like all modern pesticides, Zyklon B contained an additive: a small which alerted the farmer if he got downwind while spraying crops. So the



The killing camp: Auschwitz inmates faced slave labour...and death

SS started ordering batches with the smell left out.

I.G. Farben's objections to this had nothing to do with humanity. As a long-established product, Zyklon B was out of patent. Its only protection lay in the technology of putting in the additive. Selling the product without the smell risked harming its profitability.

At this point, any notion of the moral neutrality of capitalism goes out of the window. In acting as they did, I.G. Farben's directors were consulting the interests of their shareholders. But they cannot have been unaware - even if they

brushed the knowledge aside - of the reality at which they were coming.

Precisely the same applies to slave labour. Two generations on, it remains unsettling to reflect that many of Germany's post-war industrial leaders spent their formative years watching captive wretches starve on the production line.

It might be said that the leaders' situation was untenable. They had responsibilities not just to their shareholders but to their country. That does not alter the fact that in ethical terms, their position was untenable. The same principle still

holds good. Every so often today, companies find themselves profiting by the labour of those who have no choice - of political prisoners in China, or child workers in India. Unlike those German managers, they cannot even plead the exigencies of wartime.

The German fund, it appears, may total some \$2bn (£1.23bn). It is not much, but it serves a purpose: to remind companies tempted to cross the ethical divide that the past can come back and bite them. And when it does, their record on shareholder value will be no defence.

on the world

COMMODITIES & AGRICULTURE

Copper and aluminium keep sliding

WEEK IN THE MARKETS

By Paul Solomon

Base metal prices remained weak, with copper slipping to a 12-year low at one stage and aluminium sinking to its lowest for five years.

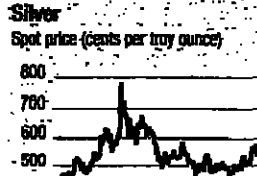
Bill Wilson, chairman of Rio Tinto, said production cuts of up to half a million tonnes a year were needed to buoy the copper price. But he added that his company owed it to its shareholders not to cut its own capacity. Three-month copper ended the week at \$1,438 a tonne, just \$1 below last week's close.

Nickel fared better, surging to a nine-month high mid-week, with analysts suggesting Russian output might be sharply lower in the second half of the year. The three-month contract closed yesterday at \$4,940 a tonne for a gain of \$135 on the week.

Meanwhile, the London Metal Exchange announced an end to controls on metal price rollover premiums, implemented to stop a supply squeeze.

Silver prices could rise 30 per cent this year to \$7.50 an ounce, according to New York research group CPM, which cited a deficit in stocks. It added that the precious metal could hit \$10 by 2000.

Silver was fixed yesterday at \$5.60 in London. Crude oil broke through \$11 a barrel in London but the market seemed stuck in the range it has occupied for several weeks. In late trading yesterday, Brent blend for April delivery was \$11.02



Silver price (pence per troy ounce)

Source: London Metal Exchange

LME warehouse stocks*

Commodity	Warehouse	Change
Aluminium	51,225	+100
Aluminium alloy	58,840	+120
Copper	60,470	+50
Lead	107,225	+25
Nickel	60,225	+25
Steel	300,725	+75
Zinc	7,700	-

* In thousands of tonnes

Source: London Metal Exchange

against last week's finish of \$10.54.

Norway announced it was considering new cuts in crude production in an effort to support prices.

European rapeseed prices diverged to record lows on continuing signs of oversupply in the global oilseed market. The May contract for rapeseed on Matiff, the French futures exchange, ended the week at €181 a tonne, just below Thursday's record low of €180.50.

In other crop news, Brazil said it expected its 1999/2000 arabica coffee crop to total 22m 60kg bags against 30m the previous season.

Analysts said sharply lower output by the world's largest producer could mean a world supply deficit. May robuscia closed yesterday at \$1,622 a tonne in London, down \$16 on the week.

WEEKLY PRICE CHANGES

Commodity	Unit	Change	Year	High	Low
Gold per troy oz.	\$286.95	-0.10	\$296.45	\$272.55	\$275.15
Silver per troy oz.	\$4.80	+0.05	\$4.75	\$4.70	\$4.65
Aluminium 50.75 (cents)	\$1.174.5	+1.0	\$1.174.5	\$1.174.5	\$1.174.5
Copper 50.75 (cents)	\$1.174.5	+1.0	\$1.174.5	\$1.174.5	\$1.174.5
Lead 50.75 (cents)	\$0.522.5	+1.0	\$0.522.5	\$0.522.5	\$0.522.5
Nickel 50.75 (cents)	\$4.940	+1.0	\$4.940	\$4.940	\$4.940
Zinc 50.75 (cents)	\$0.501.5	+0.5	\$0.501.5	\$0.501.5	\$0.501.5
Steel (cwt)	\$29.00	+0.5	\$29.00	\$29.00	\$29.00
Coffee futures Mar	\$1.174.5	+0.5	\$1.174.5	\$1.174.5	\$1.174.5
Sugar (cwt)	\$17.50	+0.5	\$17.50	\$17.50	\$17.50
Barley futures Mar	\$2.50	+0.5	\$2.50	\$2.50	\$2.50
Wheat futures Mar	\$2.50	+0.5	\$2.50	\$2.50	\$2.50
Crude oil (Brent)	\$11.02	+0.02	\$11.02	\$11.02	\$11.02
Oil (Brent)	\$11.02	+0.02	\$11.02	\$11.02	\$11.02

Per troy ounce, unless otherwise stated. * In thousands of tonnes. Source: London Metal Exchange

BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

IN ALUMINIUM, 50.75 (cents per tonne)

Close 1174.5 1174.5

Previous 1173.74 1173.74

High/Low 1173.74 1173.74

Open 1177.78 1177.78

Settle 1177.78 1177.78

Open int. 200,137 200,137

Total daily turnover 37,465 37,465

IN ALUMINIUM ALLOY 50.75 (cents per tonne)

Close 1015.20 1015.20

Previous 1013.38 1013.38

High/Low 1013.38 1013.38

Open 1016.10 1016.10

Settle 1016.10 1016.10

Open int. 10,100 10,100

Total daily turnover 10,100 10,100

IN LEAD 50.75 (cents per tonne)

Close 522.3 522.3

Previous 520.5 520.5

High/Low 520.5 520.5

Open 520.5 520.5

Settle 520.5 520.5

Open int. 3,300 3,300

Total daily turnover 3,300 3,300

IN NICKEL 50.75 (cents per tonne)

Close 4875.75 4875.75

Previous 4875.75 4875.75

High/Low 4875.75 4875.75

Open 4875.75 4875.75

Settle 4875.75 4875.75

Open int. 15,400 15,400

Total daily turnover 15,400 15,400

IN TIN 50.75 (cents per tonne)

Close 5365.405 5365.405

Previous 5365.405 5365.405

High/Low 5365.405 5365.405

Open 5365.405 5365.405

Settle 5365.405 5365.405

Open int. 2,725 2,725

Total daily turnover 2,725 2,725

IN COPPER, GRADE A 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE B 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE C 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE D 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE E 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE F 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE G 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN COPPER, GRADE H 50.75 (cents per tonne)

Close 1402.5 1402.5

Previous 1402.5 1402.5

High/Low 1402.5 1402.5

Open 1402.5 1402.5

Settle 1402.5 1402.5

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

PRECIOUS METALS CONTINUED

IN GOLD COMEX (100 Troy oz. Silver)

Settle 287.5 287.5

Previous 287.5 287.5

High/Low 287.5 287.5

Open 287.5 287.5

Settle 287.5 287.5

Open int. 2,000 2,000

Total daily turnover 2,000 2,000

IN PLATINUM COMEX (50 Troy oz. Silver)

Settle 381.7 381.7

Previous 381.7 381.7

High/Low 381.7 381.7

Open 381.7 381.7

Settle 381.7 381.7

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN PALLADIUM COMEX (50 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

IN SILVER COMEX (100 Troy oz. Silver)

Settle 350.0 350.0

Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

Total daily turnover 1,000 1,000

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Settle 350.0 350.0

Previous 350.0 350.0

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Open 350.0 350.0

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Open int. 1,000 1,000

Total daily turnover 1,000 1,000

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Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

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Open int. 1,000 1,000

Total daily turnover 1,000 1,000

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Previous 350.0 350.0

High/Low 350.0 350.0

Open 350.0 350.0

Settle 350.0 350.0

Open int. 1,000 1,000

DATABANK



UNIT TRUSTS

Winners and losers

TOP FIVE OVER 1 YEAR:

Fidelity American	1,843
Baring German Growth	1,785
Aberdeen Pacific Technology	1,400
Invesco European Growth	1,439
OMI BD Technology	1,414

BOTTOM FIVE OVER 1 YEAR:

Scott Widows Latin America	498
Parquet Latin American Gth	510
NIS Growth Latin America	541
Edinburgh Latin America A	542
Scott Widows Emerging Markets	557

OMI BD Technology

1,843	1,500
1,785	1,400
1,400	1,300
1,439	1,200
1,414	1,100

TOP FIVE OVER 3 YEARS:

Fidelity American	2,620
TU European	2,380
Invesco European Growth	2,308
Jupiter UK Growth Exempt	2,243
Baring German Growth	2,169

BOTTOM FIVE OVER 3 YEARS:

Old Mutual Thailand Acc	221
Save & Prosper Gold & Captn	255
Lazard Pacific Growth	374
Baring Eastern	378
Bartmore Gold & Int'l Resource	381

TOP FIVE OVER 5 YEARS:

Fidelity American	2,620
TU European	2,380
Invesco European Growth	2,308
Jupiter UK Growth Exempt	2,243
Baring German Growth	2,169

BOTTOM FIVE OVER 5 YEARS:

Old Mutual Thailand Acc	221
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Lazard Pacific Growth

2,620	1,000
2,380	900
2,308	800
2,243	700
2,169	600

TOP FIVE OVER 10 YEARS:

Fidelity American	2,620
TU European	2,380
Invesco European Growth	2,308
Jupiter UK Growth Exempt	2,243
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Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Indices	1 year (%)	3	5	10	Volatility	Yield
Average Unit Trust	1021	1278	1471	2835	4.4	2.4
Average Investment Trust	1017	1367	1488	3011	6.2	4.6
Bank	1043	1121	1207	1738	0.0	5.7
Building Society	1041	1113	1201	1739	0.0	5.4
Stockmarket: FTSE All-Share	1120	1694	2026	3805	2.67	3.95
Inflation	1024	1088	1156	1472	0.3	-

UK Growth

Jupiter UK Growth	1208	2243	-	-	4.9	0.8
Exeter Capital Gro	983	1866	1948	-	6.7	-
Lloyds TSB Envir	1123	1826	2046	-	3.8	0.7
Thornhill Capital	1138	1818	2031	-	4.0	0.6
Fliver & Mercanti	1041	1807	2144	-	3.6	0.6

UK Growth & Income

UK Growth & Income

Direct Line FTSE 100 Tracker	1138	1809	-	-	2.3	-
Fidelity Moneybuilder Index	1116	1778	-	-	4.1	2.2
Fleming Select UK Income	1079	1771	2134	3085	3.8	3.0
River & Mercantile Top 100	1130	1768	-	-	3.8	2.8
Laurence Ken Income & Growth	1070	1781	1941	-	3.7	3.0
SECTOR AVERAGE	1044	1528	1795	2928	3.7	2.1

UK Smaller Companies

UK Smaller Companies

INVESTCO UK Sm Company Acc (6T)	1211	1783	1989	-	4.3	1.5
Henderson Exempt Cygnnet	1061	1868	1863	-	4.4	1.5
Bartmore UK Smaller Co Inc	981	1880	1963	2367	4.8	1.3
BWD UK Smaller Co's	983	1808	1707	-	5.2	2.9
Lawrence Ken Smaller Cos	982	1478	2076	-	4.3	1.7
SECTOR AVERAGE	984	1187	1317	1906	4.4	1.7

UK Equity Income

UK Equity Income					
BWD UK Equity Income					
Fidelity Income Plus					
Jupiter Income					
NPI Global Core Income Inc I					

UK Equity & Bond Income

UK Equity & Bond Income	
Abbey National Extra Income	10
Edinburgh UK Income A	10
CIS UK Income	10
Jupiter High Income	10

UK Fixed Interest

1 year (%)	3	5	10	Volatility	Yield	
CSU PPT Preference	1086	1545	1542	2288	2.2	5.8
Morgan Gren MF Annuity Conv Ex	1132	1534	-	-	1.7	4.5
CSU PPT Monthly Income Plus	1070	1493	1573	-	1.7	6.6
Aberdeen Profitable Div Bond	1085	1489	1610	2236	1.5	4.8
Henderson Preference & Bond	1070	1480	1593	2136	1.2	6.3
SECTOR AVERAGE	1080	1352	1438	2190	1.4	5.6

UK Gilts

TOP FIVE OVER 1
Invesco Japan Dis
Jupiter Primadona
Aberdeen Pzsfm
German Smaller

Far East ex Japan

BOTTOM FIVE OVER						
First Russian Front						
Foreign & Col Ex						
Aberdeen Latin Am						
Edinburgh Inca						

Far East inc Japan

1 year (%)	3	5	10	Volatility	Yield	
Jupiter Far Eastern	1088	912	810	1763	7.7	-
Save & Prosper Far East Sm Cos	1041	818	808	-	6.0	0.4
Dresdner F&M Oriental Income	985	789	754	1823	8.4	2.8
Smith & Williamson Far East	932	741	653	-	5.8	0.0
Royal & SunAll Far East	965	714	763	1044	6.1	1.2
SECTOR AVERAGE	905	633	620	1332	6.5	0.9

Japan

1 year (%)	3	5	10	Volatility	Yield
Baillie Gifford Japanese	1080	915	847	1173	5.9
Murray Japan Growth	1132	890	912	-	5.8
INVESTCO Japan Growth (GT)	1008	882	877	1073	3.4
Newtown Japan	958	851	798	957	8.2
Martin Currie Japan	1021	847	855	-	5.8
SECTOR AVERAGE	1005	847	858	1073	6.4

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Authorised Investment Funds

● FT Cytidine Link Trust Prices are available over the telephone. Call the FT Cytidine Help Desk on (444) 777 873 4378 for more details.

FT MANAGED FUNDS SERVICE**AUTHORISED
INVESTMENT
FUNDS -**

Unit Trusts and OEICs
(Open-ended investment companies)

[illegible]

OFEX FACILITY

OFEX is an unregulated trading facility for share dealing in unquoted companies which is operated by J P Jenkins Limited in association with Newstock Limited, a sister company.

The middle market prices shown below are only an indication of value. Shares traded on OTC should be considered high risk investments. Private investors must deal through a stockbroker which is regulated by the Securities and Futures Authority.

[illegible]

EASDAQ

The EASDAQ AM Share Index (EASI) for 20th February 1978.15 down 2.22% Day's high \$63.66 Day's low 57.59
EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The focus of
EASDAQ is to provide a market for high growth companies with international aspirations. The focus of
EASDAQ is to provide a market for high growth companies with international aspirations. The focus of

[illegible]

Guide to pricing of Authorised Investment Funds

Compiled with the assistance of AJTF SS

The prices quoted should only be used as a guide.

OEIC: Open-Ended Investment Company. Similar to a mutual fund, but with no fixed number of shares. The symbols are as follows: (P) - 0001 to 1100

Share Classes: Separate classes of shares are denoted by a letter or number after the name of the fund. Different share classes are issued to reflect a different currency, share structure or tax of the shares. Different share classes may have different fees and charges. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

Initial charges: Charges made by a unit trust manager/participant to the buyer (used to defray marketing and administrative costs, including commissions paid to intermediaries). For unit trusts this charge is included in the base price of a unit. For

Forward pricing: Also called *forward price*. The price at which a contract is sold in a cash market for a forward contract. The forward price is the price at which the contract is sold in a cash market for a forward contract. The forward price is the price at which the contract is sold in a cash market for a forward contract.

OEIC Single Print: Based on a mid-market assumption of the underlying investments, the buying and selling price for shares of an OEIC are the same. Manager's/producer's initial charges are shown separately.

Treatment of manager's periodic charge: The new C denotes that the trust deducts all or part of the manager/trustee's periodic charge from capital, except the management fee for full estate tax effect.

End charges: The meter E shows that an end charge may be made when you call make, contact the 85 Kingsway, London, WC2B 6TD. Tel: 0171-831-0888.

For more information, visit www.FinancialTimes.com

★

● FT Cylindric Unit Trust Prices are available over the telephone. Call the FT Cylindric Help Desk on (444 177) 873 4378 for more details.

د. محمد بن عبد الله

Insurances, Money Markets and Other

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund

BERMUDA (REGULATED)**

Fund Name	Manager	Assets	YTD	1Y	3Y
Bermuda Fund
Bermuda Fund
Bermuda Fund
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Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund
Bermuda Fund

CAYMAN ISLANDS (REGULATED)**

Fund Name	Manager	Assets	YTD	1Y	3Y
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund
Cayman Fund

MFS Meridian Funds - Contd.

Fund Name	Manager	Assets	YTD	1Y	3Y
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund
MFS Meridian Fund

GUERNSEY (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
Guernsey Fund
Guernsey Fund
Guernsey Fund
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IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
Ireland Fund
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IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
Ireland Fund
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Ireland Fund

IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
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Ireland Fund

IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
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IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
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IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
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IRELAND (FSA RECOGNISED)

Fund Name	Manager	Assets	YTD	1Y	3Y
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COMPANIES & FINANCE

NEWS DIGEST

BREWERIES

South African Breweries completes share placing

The placing of shares in South African Breweries ahead of its London listing on March 8 was completed last night when the international bookbuilding exercise finished at 5.30pm London time. Early indications were said to show the book was more than fully covered with strongest demand from US investors. The placing involves raising between £150m and £200m through the issue of new shares, and the sale by two large South African groups of 4.95 per cent of the existing shares.

The group, the world's fourth largest brewer, is relocating from Johannesburg to London where it will have greater access to capital to fund its expansion in eastern Europe and south-east Asia. The latest in a flood of South African companies moving to London, it expects to be a constituent of the FTSE 100 after its listing. This means tracker funds that shadow the index will need to buy its shares, which has led to some complaints from fund managers that they will be forced to increase their emerging market exposure. John Willman

ELECTRICITY

AmerGen eyes Vermont Yankee

AmerGen Energy, a 50/50 venture between British Energy and PECO Energy of the US, is looking to buy Vermont Yankee, a 540MW nuclear reactor, from a group of 13 New England utilities.

AmerGen has been given a four month exclusive period for due diligence on the boiling water reactor. If the acquisition is completed it will be the joint venture's second buy. It was set up in 1997 to target nuclear reactors in the US. It also bought Three Mile Island Unit 1, an 820MW reactor in Pennsylvania, in July for \$100m (£63m), including \$77m for the fuel stocks.

British Energy declined to comment on a possible price, but it is believed to include a ring-fenced fund to pay for the reactor's future decommissioning. Thorold Barker

SUPPORT SERVICES

Synstar offers 87.1m shares

Synstar, the IT services provider, said yesterday it made an initial offering of 87.1m shares at 165p each.

The placing will raise about £14.4m, of which £8.4m will be used to repay debt. Morgan Stanley, which arranged the placing, may buy an additional 12.9m shares to cover over-allotments.

The initial announcement on February 15 stated that Synstar expected a price between 155p and 185p. Caroline Daniel

FOOD PRODUCERS

Cadbury eyes Hawaiian Punch

Cadbury Schweppes, the UK confectionery and beverage group, is understood to be bidding for Hawaiian Punch, the fruit drink which is being sold by Procter & Gamble. Cadbury is believed to have made an indicative offer of about \$200m (£125m) for the soft drink which P&G is selling to concentrate on more strategic opportunities in its food and drink business.

Punch would be added to Cadbury's Mott's business which sells apple sauce and fruit drinks such as Ciamato. PepsiCo is also believed to be interested in the brand which had sales of \$130m in the year to June 1998. John Willman

SUPPORT SERVICES

Danka's bankers grant extension

Danka Business Systems, the photocopier supplier, yesterday won backing from its banks for a six-month extension to its banking arrangements and an extra \$30m (£18.7m) in loans.

Shares in the group, which is listed on Nasdaq as well as in London, closed 2p up at 80p on the news. Danka had been in talks with its 30-strong banking syndicate for more than a week. Its agreement was due to run out this weekend.

Danka, which operates under strict conditions imposed by the banks in October to avoid breaching loan covenants, has struggled since it bought Eastman Kodak's photocopier distribution business for £438m two years ago, a deal which doubled its size. Last week, Danka reported a \$321.5m third-quarter loss after taking a \$268.2m charge for restructuring. Susanna Voyke

Rio Tinto plc

NOTICE
To Holders of Warrants to Bearer
PAYMENT OF DIVIDEND

ORDINARY SHARES OF 10p EACH

NOTICE IS HEREBY GIVEN THAT a final dividend of 22.50p per Share has been declared in respect of the year ended 31 December 1998. Payment of this dividend will be made on or after 7 April 1999 after presentation of Coupon No. 80 at any of the offices below.

PAYMENT OFFICES

Rio Tinto plc (Registered Office) 8 St James's Square London SW1Y 4LD	Rio Tinto plc (Transfer Office) Central Registration Limited 1 Redcliff Street, Bristol BS1 6NT
Général de Banque 3 Montigny du Parc B-1000 Brussels, Belgium	Banque Bruxelles Lambert S.A. 24 Avenue Marais B-1000 Brussels, Belgium
Banque Internationale à Luxembourg S.A. 2 Boulevard Royal Luxembourg	Banque Générale du Luxembourg S.A. 50 Blvd J. F. Kennedy, L-2981 Luxembourg
UBS AG CH-8008, Zurich Switzerland	Credit Suisse First Boston, Credit Suisse CH-8070 Zurich, Switzerland

Ordinary Shares of 10p each

The dividend will be paid as a conventional dividend. For shareholders resident in the UK the dividend will carry a tax credit. This tax credit is not repayable to UK individuals. In the case of non-UK residents, withholding tax will generally eliminate any tax credit refund. Coupons, which must be listed on special forms obtainable at any of the above offices, may be deposited after 22 March 1999. Coupons presented for payment in the United Kingdom must be left FIVE CLEAR DAYS for examination.

Shareholders should note that under the Company's Articles of Association, provision is made for the forfeiture of the above dividend if not claimed within 12 years from the date of declaration.

Re-issue of Warrants and Issue of Talons - Ordinary Shares
Holders of share warrants to bearer who have not yet presented their old warrants and Talons B in order to obtain new warrants in the denominations of 250 or 500 Ordinary Shares, with Talon C and Coupons Nos 76 to 100 should promptly do so. For further information please contact: Central Registration Limited, 1 Redcliff Street, Bristol BS1 6NT, telephone 0117 329 3296 or Freephone 0800 438021.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan has been introduced for registered holders of Ordinary Shares. Holders of share warrants to bearer who wish to participate in the Plan should convert their share warrants to bearer into registered shares. Details are obtainable from Central Registration Limited, as above.

Registered Office

8 St James's Square
London SW1Y 4LD
25 February 1999

BY ORDER OF THE BOARD
J S BRADLEY
Secretary

PUB AND RESTAURANTS RIVAL GROUPS SAY MERGER WILL CREATE GROUP WORTH 'MORE THAN THE SUM OF ITS PARTS'

Regent Inns and SFI close to sealing deal

By Charles Prodzik
and David Blackwell

Regent Inns and SFI, the rival pub groups, plan to unveil details of their merger on March 17 alongside Regent's interim results.

Talks have reached an advanced stage following news at the beginning of this month that the two groups were considering a merger.

The enlarged group will have a market capitalisation of about £260m. That should attract the attention of investors again after a year of disillusion with the sector, which has been oversupplied with small pub companies.

In addition it would help Regent shake off the tarnished image that followed last June's profits

warning, which was triggered by inconsistencies and inaccuracies in accounting treatments.

It is understood that the board is likely to be made up equally of executives and non-executives from both sides. It is expected that David Franks of Regent would remain in his current position as managing director, but would take a back seat in dealings with the City.

Tony Hill, SFI's chairman and chief executive, has been earmarked for the role of executive chairman. It is likely that Clive Eplett of SFI would be finance director of the combined group instead of Regent's finance director, Paul Huberman. Precise terms of the deal

have not yet been finalised but it is understood that Regent shareholders would hold about 60 per cent of the shares in the enlarged group.

When the two groups revealed their talks, talks they said the merger would be "on a basis related to the underlying profitability of the two companies".

Regent has about 90 pubs, and has been emphasising its Jongleurs comedy clubs and Walkabout sports-bar outlets.

SFI, which also runs table-dancing clubs, has 57 pubs and has been concentrating on its Litten Tree and Bar Med outlets.

One industry observer said that the two companies together would be worth a



Tony Hill: earmarked for role of executive chairman

David Lynch

lot more than the sum of the parts. "It would have four strong brands and be on the leading edge of the managed house sector of the pub

industry." Both groups already have strong expansion programmes in place. They would hope to gain entry to

the FTSE 250 fairly swiftly. Both companies were unavailable for comment. Regent shares fell 2p to 180p. SFI rose 2p to 170p.

Go-Ahead seeks extension to rail franchises

By Susanna Voyke

Go-Ahead, the train and bus operator, yesterday said it planned to ask the government to extend its rail franchises and promised greater investment in return.

Announcing half-year pre-tax profits above expectations at £21.4m (£20.4m), Martin Ballinger, managing director, welcomed the government's offer of longer franchises in return for

performance improvements. The new deal for train operators was announced on Thursday by John Prescott.

Go-Ahead saw passenger revenue rise more than 10 per cent on its Thameslink and Thames Trains franchises, which run until 2004. Mr Ballinger said it aimed to improve its performance on these services over the remaining life of the franchises, but would like to be able to plan beyond that.

"What we are looking for is a partnership with government for the long term," Mr Ballinger said. "We would be prepared to invest money... but we must be able to look at our business in the longer term."

He would not specify how much investment Go-Ahead would be prepared to make, but said the group would be approaching the government to start talks as soon as possible.

Stripping out exceptional gains last time, pre-tax profits rose to £21.4m (£17.7m) on turnover of £241.6m (£207.8m). The shares rose 4 1/2p to 80 1/2p.

Operating margins in the bus business rose from 12.4 to 13.2 per cent and Mr Ballinger said the group was on track to reach its target of 15 per cent by 2000.

The operating margin in the rail business rose from 5.4 to 6.5 per cent.

The interim dividend rises to 3.5p (3p), payable from earnings of 28.4p (27.1p).

Comment

Public transport is the place to be. Any doubts that the government is determined to sort out congestion on UK roads has been laid to rest by the high profile Tony Blair has started to play in the debate. This is good news for bus and train operators, which praise the gov-

ernment for its imaginative approach to private/public partnership. Go-Ahead, among the smaller public transport operators, turned in good figures and analysts yesterday upgraded their full-year pre-tax profits forecasts from £38m to £40.5m (£36.5m). That leaves the shares trading on a prospective p/e ratio of 14.5, a discount to the market and bigger sector rivals that seems undeserved.

BAA scraps Lynton demerger

By Norma Cohen,
Property Correspondent

BAA, the airports group, has decided against demerging its £600m Lynton property arm, citing the current weak market for property shares.

Property shares have been among the worst performing segment of the UK stock market in 1998, lagging behind the FTSE All Share Index by nearly 30 per cent.

Shares are also trading at steep discounts to value of

net assets - typically by 20 to 30 per cent.

BAA said: "The company concluded that, taking into account market conditions and other practical issues, demerger is not in the best interests of its shareholders."

BAA had earlier said it was considering a demerger as one of several options for its property subsidiary. It claimed that that demands for capital from other parts of its business were

restraining growth at Lynton. As a result, it said shareholders were not realising the full value of the subsidiary.

BAA said that after a full review by the board, the company concluded that the great majority of Lynton's assets are airport-related, and the value of these is best realised within the existing company.

"At least two-thirds of the value of the portfolio is because of its presence in, or

near, the airport," he said. Lynton already has begun a programme to dispose of its non-airport properties. It is likely to speed this up to raise fresh capital for the expansion of the core property business.

BAA said a demerger would have created many burdens for Lynton, including a requirement to communicate with its very large shareholder list, hundreds of thousands of whom are small, retail investors.

A&L proposes a return of surplus capital

By Christopher Brown-Hume

Alliance & Leicester, the building society turned bank, saw its shares fall 50 1/2p to 840 1/2p yesterday, despite a 15 per cent rise in pre-tax profits to £455m and an 18 per cent rise in the dividend.

It also said it planned to start buying back its shares, reversing a strong reluctance to return surplus capital to shareholders.

Analysts said the shares had fallen on profit-taking and results at the lower end of expectations.

Peter White, A&L chief executive, said the group had £740m (£1.18bn) of surplus capital, based on a target of cutting its Tier 1 solvency ratio to 8 per cent in 2001. The ratio was 13.4 per cent at the end of last year. He declined to indicate the size or timing of any buy-back, although analysts expect about £200m this year in the absence of significant acquisitions.

Mr White said the group was still keen to make acquisitions, but prices remained too high. The economies of holding surplus funds were unattractive amid the current low interest rates, he added.

Underlying operating prof-

its rose 8 per cent from £423m to £455m, after excluding exceptional costs linked to the group's conversion to a bank in 1997.

Unlike fellow converters Halifax and Woolwich, A&L held its own in the mortgage market. New net lending of £1.2bn gave it a market share of 4.6 per cent, against a 4 per cent share of the total mortgage market.

But analysts said there were concerns the bank's net interest spread - the difference between average lending rates and average savings rates - had contracted to 1.98 per cent from 2.23 per cent.

They said this partly reflected its policy of writing off mortgage discounts immediately, rather than over the duration of the discount period.

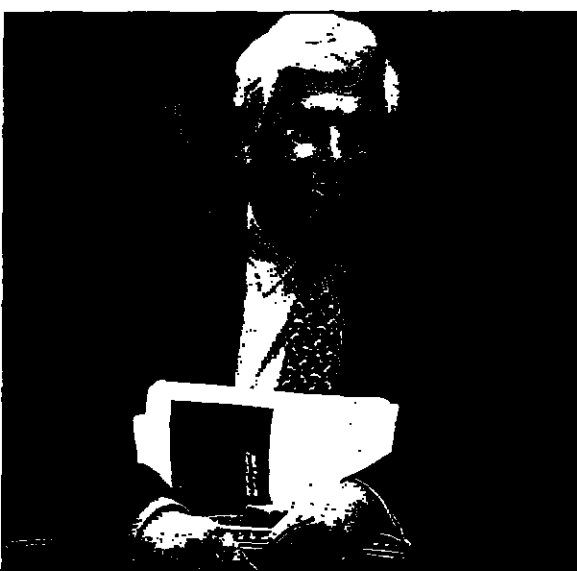
The bank, which has traditionally had a higher cost base than its main rivals, pledged to hold 1999 costs below last year's level.

Provisions for bad and doubtful debts rose from £39.3m to £38.7m, reflecting a higher charge for losses on unsecured loans.

A final dividend of 65.5p makes 24.5p for the year, up 18 per cent. Earnings per share rose 22 per cent to 54.6p.

Performing a tricky balancing act at EIT

Katharine Campbell on how the trust and its manager reacted to 3i's approach



Michael Stoddart will now stay on

Colin Beare

Brian Williamson, deputy chairman of Electra Investment Trust, the venture capitalist threatening to wind itself up following an approach from rival 3i, said this week he felt like the policeman in Punch and Judy.

He reminded City figures gathered at the Dorchester Hotel to mark the - now postponed - retirement of Michael Stoddart as EIT chairman, how Punch steals up behind the man in blue and delivers a knock-out blow the instant he sets foot on stage.

Mr Williamson, who was due to take over from Mr Stoddart this month, can be forgiven for drawing the comparison. The latter has promised to stay on until the trust's future is resolved - so at best Mr Williamson will preside over a wind-up of EIT. If the trust is sold to 3i or anyone else, he will never get his chairmanship.

But his is not the only plans that have been upset by the 3i bid approach. The dynamics of the Electra battle are complicated partly because, unlike most bid situations, there are more than two parties involved. This makes Mr Stoddart's job of working in the interests of the trust's shareholders a tricky balancing act.

In another corner is Electra Fleming, the manager of Electra Investment Trust. EIT may own 50 per cent of

Electra Fleming, but its entrepreneurial executives are against a deal with 3i - and they are hardly pushovers. Further, the future of the management company directly affects the valuation of EIT - Electra Fleming is carried in the trust's books at £31m, its fourth largest investment.

Mr Stoddart's position is, on the face of it, made more difficult because EIT has not followed general investment trust best practice by appointing a chairman who is entirely independent of the management company. He retired from EIT's management in 1995, but remains strongly identified with the whole business. "Michael is Electra. He built the business, hired the people," says one analyst.

In practice, however, Mr Stoddart is understood not

to be behind the tough line taken in the talks with 3i. Instead other members of the trust board favoured setting harsh terms for the resumption of stalled negotiations at the end of January.

Any 3i deal may or may not be in shareholders' best interests, but it is certainly not in the best interests of the trust managers. 3i appears to have encountered more resistance than that expected from that quarter, and there are indications it was perhaps more than Mr Stoddart expected.

The Electra Fleming team is unhappy on a number of scores. Mr Stoddart is an old City hand who has tried hard to court shareholders and narrow the discount between EIT's share price and the value of its assets - the weak spot that has left it vulnerable to 3i's attentions.

But Electra's managers have privately expressed exasperation that the City fails to recognise good recent investment performance.

They also object to the idea of joining 3i because their own remuneration structures are more lucrative and they were understood to be in the middle of negotiating better bonus schemes just as 3i knocked on the door. Finally, there was understandable indignation when the 3i camp was heard referring to Electra Fleming as "a freebie" within the deal.

Meanwhile, the search for alternative suitors to 3i does not appear to be going well. Clayton, Dubilier & Rice, the US buy-out house, has expressed initial interest in buying Electra Fleming but it is hard to see why it would not prefer to pay chunky sign-on fees to a handful of the best deal-makers.

So Mr Stoddart now has to come forward with a credible wind-up plan on March 11. The valuation of Electra Fleming will be one of the tough calls. Electra advisers argue its worth on the basis of goodwill, pointing to the high prices paid for quoted fund managers recently. But venture capitalists - unlike retail fund managers - are not generally considered to have brand value. And with the disappearance of the trust goes by far Electra Fleming's largest client.

As Mr Stoddart negotiates this web of interests he has to demonstrate it is shareholding value, not the Electra Fleming team, that is driving the action. It is small wonder most venture capitalists do not have a listing.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
Alliance & Leicester	Yr to Dec 31	-	455.2 (394.6)	54.8 (44.8)	15.5	May 17	14.4	24.5
Braine (IFM)	Yr to Dec 31	9.89 (9.26)	0.738 (0.627)	33.72 (28.15)	8.2	-	7.8	11.8
Broadbent	Yr to Dec 31	7.89 (6.58)	2.25 (2.02)	4.27 (3.69)	1.2	May 3	1.1	2.2
Enic	6 mths to Dec 31	27.8	0.463 (0.4)	0.341	-	-	-	-
Go-Shield Group	6 mths to Jan 2	241.8	(207.8)	21.4 (20.4)	26.4 (27.1)	3.5	3	10
Hydro-Dynamic Prod.	6 mths to Nov 30	3.05	(3.19)	0.30 (0.48)	3.1 (4.8)	1.3	1.3	3.9
Pacific Assets	Yr to Jan 31	54.29	(22.02)	0.439 (0.261)	6.91 (6.8)	1.44	-	-
Regis	Yr to Aug 31	1.18	(1.25)	0.0301 (0.0252)	1.34 (0.42)	-	-	-
Investment Trusts	NAV (p)	Marketplace Shareprice (p)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming Inc & Growth	Yr to Dec 31	405.17 (348.48)	10 (11.4)	8.97 (7.17)	3.15	Apr 7	3.15	9.9
Fleming Smaller Cos.	6 mths to Jan 31	182.5	(187.7)	0.34 (0.313)	1.27 (1.17)	-	-	2.8
Growth Emerging	Yr to Dec 31	88.04	(106.7)	0.101 (0.085)	0.28 (0.24)	-	0.50	0.50
Pacific Assets	Yr to Jan 31	54.29	(22.02)	0.439 (0.261)	6.91 (6.8)	1.44	0.40	0.40
Second Scot Net	3 mths to Jan 31	101.8	(11.4)	1.28 (0.283)	1.7 (0.4)	2	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. 10n increased capital. 9n stock. 3i Comparatives for 6 mths to Jan 31 1998. 2n income. 4n At October 31, 1998.

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FINANCIAL TIMES

COMPANIES & FINANCE

LIFE SCIENCES GERMAN GROUP REPORTS DROP IN OPERATING PROFIT TO DM3.2bn AMID UNCERTAINTY

Market seeks answers from Hoechst

By Uta Harnischfeger in Frankfurt

Hoechst, the German pharmaceutical group, came under pressure yesterday to reassure the market about its planned merger with France's Rhône-Poulenc and to provide details of the sale of its remaining industrial activities, as its 1998 operating earnings disappointed.

Hoechst yesterday reported a decline in operating profit to DM3.2bn (€1.6bn, \$1.8bn) from DM3.7bn in 1997, including

science company, which has distorted its earnings so that analysts are struggling to get a clear picture.

"We can see that they aren't doing well in terms of operations, but we can hardly calculate their earnings, and they have become less and less useful," said Christiane Dienhart, analyst at Bayerische Hypo- und Vereinsbank in Munich.

Hoechst yesterday reported a decline in operating profit to DM3.2bn (€1.6bn, \$1.8bn) from DM3.7bn in 1997, including

restructuring costs at pharmaceuticals arm Hoechst Marion Roussel, which analysts estimate at about DM600m, and income from the sale of medical products, its so-called comparable operating income rose 9 per cent to DM3.7bn after adjusted DM3.4bn.

Sales fell 16 per cent from DM32.1bn to DM27.7bn after stripping out many specialty chemicals and its polypropylene business as of July 1.

Earnings per share fell to

DM2.70, compared with DM3.10 in 1997.

Hoechst Marion Roussel is still underperforming and "will do even worse next year," according to Ms Dienhart. There is little in HMR's immediate pharmaceutical pipeline to boost sales, and its main patent, the hyper-tension drug Cardizem, expires this summer.

Looking ahead, analysts are at a loss because of a number of unresolved issues. The merger of Hoechst and Rhône-Poulenc, to create a new group called Aventis, is

under threat because Hoechst's largest shareholder, Kuwait Petroleum Corporation, is undecided on the deal. KPC, which has a 24.5 per cent stake, is in a position to block the deal when Hoechst shareholders vote on May 4.

Another unresolved issue involves Schering, Hoechst's partner in Agrovet, the successful 40-60 joint venture. It is uncertain whether Schering will receive a stake in Aventis.

Hoechst shares rose 15 cents to €42.95.

Bridgestone may seek foreign alliances

By Alexandra Harvey in Tokyo

Yoichiro Katzaki, president of Bridgestone, Japan's largest tyre maker, said yesterday he would consider alliances with "small" foreign tyre companies, but he was not planning any acquisitions in the short term.

Mr Katzaki said he would be interested in a link-up with a small tyre maker "if the price is right". A large-scale merger would be too expensive but alliances in targeted regions were possible, he said.

This confirms speculation that Bridgestone may be looking for an alliance partner following Goodyear's merger with Sumitomo Tyre and Rubber to create what is believed to be the world's largest tyre manufacturer with more than 20 per cent of global tyre sales.

Peter Boardman, analyst at Warburg Dillon Read, estimated there were about 40 second and third-tier tyre companies which would be potential targets for an alliance.

Yesterday Bridgestone posted its fifth consecutive year of pre-tax profits growth. Group profits before taxes and exceptional items increased 3.9 per cent to ¥157.4bn (\$1.56bn) in 1998, on sales up 3 per cent to ¥2,237.7bn.

Net profits jumped 167.2 per cent to ¥104.6bn, reflecting extraordinary charges taken in 1997 to amortise goodwill and strengthen pension reserves.

The largest factors behind the increase in pre-tax profits were strong sales in North America and Europe, said Mr Katzaki. Sales at Bridgestone/Firestone, the group's US subsidiary, jumped 5 per cent to \$7.41bn, and pre-tax earnings surged 27 per cent to \$265m.

Sales at the European subsidiary jumped 8 per cent to \$1.89bn, and pre-tax profits climbed 56 per cent to \$18m.

Stratec shares surge on merger

By William Hall in Zurich

Shares of Stratec, a Swiss medical technology group, jumped 23 per cent yesterday following the announcement of its merger with Synthes, a privately owned US rival with strong Swiss roots. The deal will create one of Europe's biggest medical technology companies with a market capitalisation of more than Sfr4bn (\$2.78bn).

Stratec, floated on the Swiss stock exchange in 1996, and Synthes, a US management buy-out, have co-operated for more than 20 years in the development of implants, instruments and power tools for orthopaedic trauma care.

Both are licensees of the discoveries of a non-profit-making research institute in Davos that specialises in research into the treatment of broken bones.

Synthes is more than twice as big as Stratec, has a leading position in the US market, and is considerably more profitable. Stratec's shareholders will own 31 per cent of an enlarged Synthes-Stratec, which will retain its Swiss share quotation.

Rudolf Maag, Stratec chief executive and leading shareholder, will be chief executive of the new group and Hansjörg Wyss, owner of Synthes, will be chairman.

The new group will have combined sales of Sfr8.8bn on a 1998 pro-forma basis and net income, before goodwill write-off, of Sfr1.81bn. The transaction will be accounted for as an acquisition. Analysts estimate this could result in up to Sfr1bn in goodwill being written off over five years.

Stratec shares, which have doubled since the 1996 initial public offering, had been suspended at Sfr1.982 and closed at Sfr2.412 yesterday.

The combination is expected to be completed by May 1999 and the new group expects to make a secondary offering of up to 10 per cent of its shares over the next year to increase the market float to around 25 per cent.

Stratec has retained Merrill Lynch to provide a fairness opinion and Synthes and Stratec are being advised by Credit Suisse First Boston in relation to the exchange offer.

Asian crisis halves Acerinox earnings

By David White in Madrid

The impact of the Asian economic crisis and sharp falls in steel prices more than halved profits at Acerinox, the stainless steel group based in southern Spain.

Attributable net earnings plunged to Ptas3.3bn (€65m, \$82m), down from Ptas14.4bn in 1997.

The company said it faced an unprecedented situation, with prices falling by 25 per cent despite a 9 per cent growth in European demand for flat stainless steel products.

Increased output at all its plants meant that it

increased its market share in a year of virtually zero growth in the stainless steel industry worldwide.

Consolidated sales were 3.5 per cent down at Ptas21.1bn compared with Ptas21.9bn the year before.

Acerinox's troubles were compounded by a radiation accident last June at its Algeciras site, where it operates the largest complex of its kind in the world.

It put the cost of the clean-up at Ptas1.7bn and production losses at Ptas350m because of the incident.

Nisshin Steel and Nishio Iwai have minority stakes in the Spanish venture.

Eisner can take a bow after casting new roles

The Disney chief has built a strong line-up of executives, writes Christopher Parkes

Michael Eisner's installation of a new executive superstructure at Walt Disney, completed this week, amply demonstrated the group chairman and chief executive's growing grasp of domestic and international diplomacy.

At home Mr Eisner has engineered a substantial shake-out in the past three months that has strengthened management and sharpened focus, and all without putting anyone's nose out of joint or sacrificing his power as the group's ultimate arbiter.

Abroad, he has set the stage for a determined effort to open new markets. He has appointed Bob Iger, president of ABC, to be the company's first president of Walt Disney International, under orders to execute a less blinkered, more co-ordinated strategy.

The group now has three divisional strategic superstars: Mr Iger has also been elevated to chairman of the ABC television group, on an equal footing with Joe Roth, Walt Disney Studios chairman, and Judson Green, appointed chairman of the revamped Walt Disney Attractions last December.

Mr Green's promotion, on the retirement of theme parks boss Richard Nunis, was relatively uncontroversial. Although it meant the loss of some autonomy for the group's vaunted theme parks division and others, Mr Green's specific brief to focus on international ventures left plenty of elbow room for his subordinates.

January's reshaping of the studios, which swallowed up the elitist animation arm and growing live theatre operations, was handled with similar aplomb. Peter Schneider, animator-in-chief, was compensated with the job of studios president.

Although subordinate to Mr Roth, he was given plenty to do in developing, producing, and distributing Disney-branded entertainment.

Now, with Mr Iger in place, and Steven Bornstein, head of television sports, taking his role at ABC, Mr Eisner seems pleased with the outcome. This is not, he insists, a response to anxieties that the roles of chairman and chief executive are too much for one man who underwent radical heart surgery in 1994.

By his account, his health and his lack of an effective second-in-command since the death in 1994 of his alter



Bob Iger: appointed to create an international structure

ego, Frank Wells, seem to worry only the media. "The board and principal shareholders know these people well and are happy that I've strengthened each division, and appointed a series of strong executives - any one of whom could give the eulogy at my funeral, at which I don't intend to be present for some time."

"It has been neatly done," says one consultant familiar with the company and the egocentric nature of entertainment executives. "Most of all, it shows the depth of management strength at Disney - and that includes the top man."

Expectations have also been raised by Mr Iger's

brief to set up an international division from scratch and, in Mr Eisner's words, "establish a structure outside the US similar to the one we have successfully used in this country".

How this will work will be up to Mr Iger, who has never worked outside the US, but who has steered the overseas expansion of the group's television interests such as the Disney Channel and ESPN, one of the world's most-watched sports franchises.

Mr Eisner has in mind models such as 3M and Nestlé, successful multinationals credited as experts in the "think global, act local" technique. This represents a departure for Disney, which collects about 20 per cent of its annual \$23bn revenues from all international operations, including exports, by selling products that are quintessentially American.

Although Mr Eisner points out that foreign revenues have grown strongly, and their impact on group revenues has been masked by the effect of US acquisitions such as Capital Cities/ABC, international sales as a proportion of the group total have actually fallen since 1995, when they accounted for 23 per cent.

FT/S&P ACTUARIES WORLD INDICES

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REGIONAL STOCK INDEXES WITH THE HEAVY & DOLLAR INDEX																
NATIONAL MARKERS	US Dollar Index	Day's % Change	THURSDAY FEBRUARY 25 1999					WEDNESDAY FEBRUARY 24 1999					DOLLAR INDEX			
			Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	US Dollar Index	Spotting Index	Yen Index	Euro Index	Local Currency Index	52 week High	52 week Low	Year Ago	
Australia (75)	206.70	-1.8	193.92	155.44	217.47	221.79	-0.9	3.34	212.81	197.17	163.80	223.52	223.94	219.95	163.86	206.57
Austria (21)	184.21	0.7	178.28	138.59	189.37	182.50	-1.6	-0.88	182.50	178.28	138.59	189.37	182.50	184.21	133.73	182.27
Belgium (22)	353.53	0.5	326.96	258.96	354.53	350.20	-1.0	-0.50	350.20	326.96	258.96	354.53	354.41	354.41	278.30	354.10
Brazil (2)	96.98	-0.6	85.35	73.55	100.95	100.95	-2.4	-3.58	100.95	83.61	71.77	106.13	106.13	238.34	89.92	238.14
Canada (112)	300.03	-0.8	184.91	151.88	298.43	301.14	-0.2	-0.12	301.14	185.59	154.86	291.12	291.12	248.78	159.24	224.84
Denmark (2)	442.22	0.4	415.25	341.43	480.39	411.02	-0.5	-0.12	447.37	414.87	340.84	470.33	412.87	470.33	402.12	430.12
Finland (25)	815.01	-0.1	588.51	589.40	684.43	615.81	-0.1	-0.15	615.81	571.07	474.07	701.55	561.25	561.25	328.49	346.33
France (74)	320.08	-0.5	265.88	243.00	296.03	296.03	-1.4	-2.06	311.81	296.43	247.93	302.32	302.32	346.34	253.86	291.53
Germany (59)	259.67	-1.1	240.03	197.13	238.92	238.92	-2.0	-1.39	262.45	243.47	202.27	243.73	243.73	226.61	226.35	248.54
Greece (2)	410.22	0.3	378.60	311.54	427.90	396.96	0.3	0.09	393.71	351.01	303.52	413.92	413.92	831.26	420.65	211.47
Hong Kong (SSE)	278.55	-0.5	257.58	211.75	278.55	278.55	-0.5	-0.18	278.55	257.58	211.75	278.55	278.55	196.64	196.64	344.85
Indonesia (24)	48.54	-0.4	36.85	35.59	50.58	48.74	-0.2	-0.41	48.74	45.20	35.25	51.94	51.94	64.32	18.04	48.14
India (14)	541.12	1.1	500.21	410.80	543.36	543.36	0.1	0.16	535.92	496.81	412.57	542.97	542.97	506.85	396.15	474.81
Italy (53)	167.82	-1.7	154.95	127.25	218.34	219.34	-2.6	-1.49	170.39	158.17	121.41	225.19	225.19	182.84	128.58	128.58
Japan (145)	57.75	1.8	53.75	74.21	101.85	74.21	0.3	0.41	80.03	57.75	74.21	101.85	101.85	107.62	76.83	108.38
Korea (25)	1241.08	0.4	1147.24	942.18	1354.02	1241.08	0.3	0.19	1236.04	1145.21	932.24	1239.45	1540.03	1073.73	767.15	1583.62
Netherlands (25)	490.93	0.2	453.81	372.70	448.92	448.92	-0.7	-2.14	460.04	444.54	377.54	450.41	450.41	352.73	352.73	432.41
New Zealand (16)	54.06	-1.5	58.22	45.83	57.79	62.62	-0.2	-0.32	65.89	50.36	45.14	65.85	65.85	77.94	45.83	75.80
Norway (27)	222.05	-0.1	222.05	188.38	231.39	247.42	-0.8	-2.12	222.05	208.45	171.86	248.74	248.74	181.88	181.88	229.34
Philippines (22)	55.28	0.9	78.33	64.74	88.36	105.98	0.8	0.96	104.49	78.33	65.10	88.35	88.35	105.98	42.48	91.75
Portugal (118)	244.09	-0.1	225.63	185.30	230.09	230.09	-1.0	-1.08	244.31	225.96	182.22	230.06	230.06	299.38	194.13	221.04
Singapore (40)	204.13	0.2	188.70	154.97	212.71	162.34	-0.1	-0.17	203.18	198.94	151.24	182.12	182.12	246.74	162.45	221.04
South Africa (35)	192.51	0.5	177.98	146.15	200.00	229.93	0.3	0.53	194.44	177.94	147.44	200.00	200.00	246.74	151.25	275.80
Spain (20)	385.70	-0.8	355.54	282.81	385.70	385.70	-0.8	-2.12	385.70	355.54	282.81	385.70	385.70	447.37	335.19	280.81
Sweden (43)	523.14	-0.9	488.58	387.15	545.11	523.14	-1.1	-1.59	523.14	488.76	406.88	551.24	551.24	628.19	378.18	517.30
Switzerland (20)	395.39	-0.8	365.20	300.17	412.00	383.23	-1.2	-1.21	398.43	369.49	306.95	418.88	418.88	441.85	307.73	361.80
Thailand (31)	21.12	-0.1	18.35	15.84	22.81	30.74	-0.1	-0.26	21.28	19.74	16.00	22.38	31.96	31.96	8.15	31.98
United Kingdom (201)	286.06	-1.0	255.58	253.10	286.06	286.06	-1.0	-0.35	286.06	255.58	253.10	286.06	286.06	307.98	207.98	273.03
USA (1713)	513.95	-0.7	474.82	389.85	535.24	513.95	-0.7	-1.23	517.27	475.69	395.51	548.82	548.82	517.27	300.12	425.92
Americas (784)	455.27	-0.7	420.84	345.82	474.30	386.81	-0.7	-1.32	469.47	420.18	353.12	482.00	392.25	467.90	347.59	385.70
Europe (728)	352.85	-0.7	328.18	267.88	358.23	304.83	-1.4	-2.02	355.48	328.18	267.88	373.73	339.39	385.24	282.63	321.12
Europe (342)	100.54	-0.8	95.03	78.41	100.54	100.54	-1.5	-1.74	101.27	93.82	78.02	101.76	101.76	113.02	51.53	81.83
Europe (143)	460.08	-0.5	450.43	378.14	518.07	571.15	-1.1	-1.84	460.07	454.11	385.55	556.25	556.25	553.97	390.04	450.43
Pacific Ex. Japan (271)	105.27	1.2	97.31	79.92	105.27	105.27	1.2	1.19	105.27	97.31	79.92	105.27	105.27	117.89	82.88	110.71
North America (726)	492.35	-0.7	453.12	373.78	519.25	492.35	-1.0	-1.58	490.63	464.14	360.71	519.11	519.11	522.82	390.04	450.43
Europe Ex. UK (328)	294.95	-0.5	265.58	218.89	294.95	294.95	-0.5	-1.34	290.63	264.14	216.71	293.17	293.17	318.45	265.32	250.93
Europe Ex. UK (201)	87.73	-0.8	80.34	74.19	101.85	74.19	-0.8	-1.04	80.34	74.19	74.19	101.85	101.85	103.93	77.40	77.40
Europe Ex. UK (188)	56.36	-0.5	53.07	43.15	56.36	56.36	-0.5	-1.44	56.79	50.79	42.57	56.36	56.36	68.91	38.18	75.16
Pacific Ex. Japan (276)	178.05	-1.1	164.29	135.17	185.33	183.14	-0.6	-0.33	180.03	168.95	130.70	186.27	186.27	194.51	126.04	204.31
World Ex. Europe (1921)	105.33	-0.3	97.37	79.92	106.76	104.96	-0.7	-1.54	106.81	98.12	81.27	117.24	117.24	125.67	108.05	93.09
World Ex. US (1155)	207.34	-0.2	191.65	157.41	218.15	207.34	-0.2	-0.71	207.34	191.65	157.41	218.15	218.15	221.79	165.00	198.48
World Ex. Japan (202)	298.40	-0.7	275.84	226.94	298.40	298.40	-0.7	-1.44	295.27	275.85	226.93	311.00	311.00	275.87	211.49	255.14
World Ex. Korea (1818)	406.45	-0.7	378.50	310.25	426.66	404.50	-0.8	-1.84	412.82	382.48	317.74	433.19	433.19	429.79	320.88	370.83
The World Index (2263)	309.95	-0.5	282.82	232.27	319.00	277.69	-0.8	-1.57	300.40	286.07	206.83	322.18	280.14	218.51	242.35	226.48

Percent, Price Movement, Volume, Gains, Losses and % of Total for the Week of February 22-25, 1999. "TRIP" indicates a 1-point movement of the Forward Time Series. Gains and Losses are based on the previous day's closing price. Last price was available for the day.

Philips bids \$777m for US chipmaker

Investors left guessing as Dresdner profits fall 7%

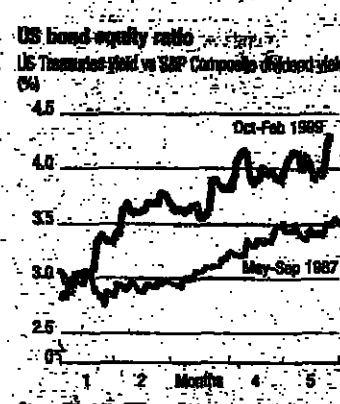
**s left gue
r profits :**

**Missing as
fall 7%**

BSkyB and Canal Plus clash over leadership

THE LEX COLUMN

Yielding to pressure



British Sky Broadcasting

Alliance & Leicester

Companies in this issue

ATL Ultrasound	24	Ericsson
Acerinox	23	Gallagher
Alliance & Leicester	17	Glaxo Wellcome
Arcadia	17	Goodyear
BAT	27	Hoechst
BSkyB	24	ITNet
Bridgestone	23	Imperial Tobacco
British Aerospace	17	Kuwait Petroleum
Canal Plus	24	News Corporation
Commerzbank	24	Pathé
Disco	24	Philips
Dresdner Bank	24	PolyGram

Markets Latest

FTSE 100:	_____
Yield	_____
FTSE Eurotop 300	_____
FTSE All-Share	_____
Nikkei	_____ 14
New York: lunchtime	_____
Dow Jones Ind Ave	_____
S & P Composite	_____
■ US LONDON MONEY	
3-mo Interbank	_____
Libra long gilt (6w)	_____
■ US LUNCHTIME RATES	
Federal Funds:	_____
3-m Treas Bill: Yr	_____
Long Bond	_____
Yield	_____
■ NORTH SEA OIL (Argus)	
Brent Dated	_____
■ GOLD	
New York Comex	_____

Table 1

(-31.4)	STERLING
(-8.48)	New York <i>tunch</i>
(-0.29)	\$ 1,804.45
(-102.91)	London:
	\$ 1,802.00
(-82.21)	£ 1,659.4
(-11.37)	SFr 2,321.4
	Y 190.077
	S index 100.9
(5.91)	DOLLAR
(116.58)	New York <i>tunch</i>
	£ 0.9075
	SFr 1,447.1
	Y 118.83
	London:
	£ 0.9110
	SFr 1,448.1
(10.825)	Y 119.85
	S index 107.2
(288.4)	Tokyo close Y 12

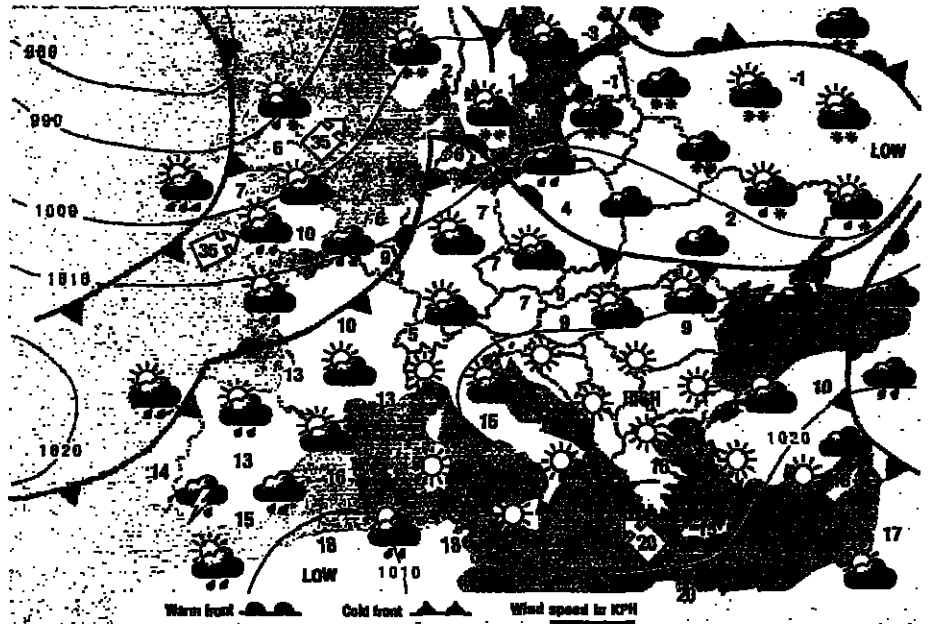
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Weather

Europe today

Five-day forecast



		Midnight	Celsius	Barcelona
Abu Dhabi	Sun	30		Beijing
Accra	Fair	33		Belfast
Algiers	Shower	18		Belgrade
Amsterdam	Rain	6		Berlin
Atlanta	Fair	18		Bermuda
Atlanta	Fair	20		Bogota
B. Aires	Cloudy	30		Bombay
Bham	Fair	8		Brussels
Bangkok	Fair	34		Budapest
				Chagen

		Cairo	Fair	18
		Cameras	Fair	28
Fair	14	CandM	Shower	8
Sun	9	Casablanca	Thunder	15
Hail	5	Chicago	Shower	9
Sun	12	Cologne	Fair	9
Cloudy	7	Dakar	Fair	24
Shower	21	Dallas	Fair	16
Thunder	19	Dahli	Fair	26
Sun	34	Dubai	Sun	25
Shower	9	Dublin	Shower	7
Fair	9	Dubrovnik	Sun	12
Rain	8	Edinburgh	Shower	6

Faro	Showers	16	Madrid	57
Frankfurt	Fair	9	Malorca	76
Geneva	Fair	6	Melba	78
Gibraltar	Showers	17	Manchester	59
Glasgow	Hail	8	Maria	79
Hamburg	Drizzle	10	Melbourne	80
Helsinki	Snow	-3	Mexico City	81
Hong Kong	Fair	24	Monte	82
Honolulu	Fair	27	Montreal	83
Istanbul	Sun	10	Moscow	84
Jakarta	Thunder	30	Murich	85
Jersey	Cloudy	10	Nairobi	86
Johannesburg	Fair	28	Nantes	87
Kobe	Fair	31		

Owner	13	Rydzanek	Snow	-1
under	18	Ro	Feb	33
Fair	18	Rome	Sun	15
ower	8	S. Frez	Fair	16
Fair	30	Scout	Sun	8
Fair	25	Singapore	Cloudy	32
Fair	26	Stockholm	Fair	1
Sun	13	Strasbourg	Fair	6
Fair	1	Sydney	Thunder	26
Fair	-1	Tengler	Showers	15
Fair	9	Tel Aviv	Fair	17
Fair	30	Tokyo	Showers	12
Sun	16	Toronto	Fair	

in around 1795,
yet eliminated the
presence of gravity on
the surface of the arch.
The invention
of its bed in the
collection, which
is of fine
materials.



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Kuwait	Sun	24	Nassau
L. Angeles	Sun	22	New York
Las Palmas	Fair	21	Nice
Lima	Fair	28	Nicosia
Lisbon	Showers	14	Oulu
London	Rain	10	Paris
Luxembourg	Fair	7	Perth
Lyon	Fair	11	Prague

Fair	27	Vancouver	Shower	8
Fair	8	Venice	Sun	10
Sun	13	Vienna	Fair	7
Fair	18	Warsaw	Cloudy	4
Snow	2	Washington	Fair	13
Fair	10	Wellington	Shower	19
Sun	38	Winnipeg	Snow	1
Fair	7			

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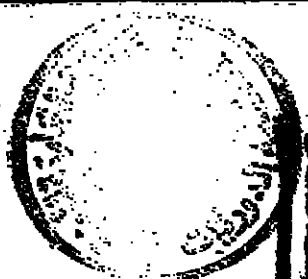
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ET

WEEKEND
FEBRUARY 27 / FEBRUARY 28 1999



Psyche yourself up
'Freud and the 20th century's
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Time to sweeten the pill

As Tokyo gives the go-ahead to Viagra, Paul Abrahams explains why the pill is still not licensed for contraceptive use

When Toshiko Hirai put his *hanko* - traditional Japanese stamp - on the documents approving Viagra last month, the head of the evaluation and licensing division at Japan's Ministry of Health and Welfare knew he was heading for trouble. His department had taken just six months to approve the notorious little blue tablet which gives impotent men erections. The speed in itself was not the problem. Rather it was the contrast with the ministry's treatment of women's contraceptive needs.

Japan is the only member country of the United Nations not to have licensed the pill for contraceptive use. For 8 1/2 years the ministry has dithered over licensing the low-dose (safer) pill, while only 800,000 women take the medium and high-dose pills which are officially prescribed to control menstrual disorders.

"The gender bias is really quite shocking," complains Yuriko Ashino, deputy executive director of the Family Planning Federation of Japan. "In Japan, there is one rule for men's sexuality, another for women's."

The reasons for the health ministry's extraordinary reluctance to license the treatment speaks volumes about modern Japan. It underlines the policy paralysis within the country's leadership when difficult decisions need to be taken; the tendency of bureaucrats and politicians to duck responsibility; and the influence of powerful but shadowy conservative interest groups anxious to retain the status quo.

But most of all, it highlights Japan remains a society dominated by men - elderly men willing to license a pill for their own benefit, but who seem scared of giving young women control over their fertility and sexuality. Japan remains a male gerontocracy.

hardship - and a conservative contraception policy, more suited to the 19th rather than 21st century. More than 75 per cent of couples practising contraception use the condom. The reasons for this paradox in policy are complex. As usual in Japan, there is *tatemae* - the official reason publicly stated - and the *honne* - the real reason, which is undisclosed.

The official reasons for the delay in licensing oral contraceptives are largely medical. In particular, the authorities have questioned the pill's long-term side-effects, the chance that its introduction would increase the spread of sexually transmitted diseases, particularly HIV, the virus that causes AIDS (in December 1997 only 4,347 people in Japan had been diagnosed with HIV, a remarkably low infection rate); and the effects on the environment of hormones from the pill excreted in women's urine.

"Every time it looks like the bureaucrats will have to approve the pill, they come up with a new safety concern," complains Hiroshi Minaguchi, president of the Ryukusei Minaguchi hospital and a leading proponent of the pill.

"All medicines have side-effects and the low-dose pill is no exception," warns Kimio Kitamura, director of the Japan Family Planning Association. "There's an increase in breast cancer and thrombosis among women in high-risk groups, as well as a decrease in ovarian cancer. It's a question of balancing the risks and the benefits. If you screen clients carefully, there's no doubt the benefits exceed the risks."

The irony is that the increase in mortality from induced abortion and pregnancy is six times higher than from the low-dose pill, says Minaguchi. And the latest contraceptives are far safer than the high- and medium-dose pill already prescribed. As for the already prescribed pill leading to a fall in the use of condoms and an increase in the incidence of sexually transmitted diseases, Kitamura argues that it would have the

reverse effect. The protection afforded in Japan by condoms is limited because many couples only use them when women are ovulating. He points out that 10 per cent of patients at the Tokyo Metropolitan Gynaecological Clinic have chlamydia, a bac-

teria-related sexually transmitted disease, while in the 15-19 age group the rate jumps to 20 per cent. Since women on the pill would have to have quarterly check-ups, during which they would be examined and treated for STDs, such diseases

could be spotted sooner and eventually the incidence of such diseases would fall, he argues. There is no proven link between oral contraceptive use and HIV prevalence, adds Kitamura.

The reasons for the delay in approving the pill are not medical, says Akiko Donato, an opposition member of the Diet. "Even young bureau-

crats recognise that. There are other pressures on them." The bureaucrats' natural conservatism and unwillingness to take responsibility are undoubtedly big factors in the delay. The health ministry has been badly scarred by scandals involving drugs that were licensed but whose side-effects were later found to outweigh their benefits. It was also traumatised by a scandal over HIV-tainted blood in the 1980s. Bureaucrats' fears over oral contraceptives are heightened because they are drugs taken by healthy women. But more important than the bureaucrats' innate conservatism is the outside pressure put on them by powerful and elusive interest groups. "We really don't know who these people are. They are like voices that come from heaven," says Ashino.

A two-hour train ride north from Ashino's Tokyo office, nestled in a mountain valley near Chichibu in Saitama prefecture, is a shrine called Shimizu - the purple cloud temple. A light

February snow is drifting down as Masataka Shimizu, the deputy chief priest, clad in white and gold robes, prepares to chant one of the six 20-minute sutras recited daily to console the souls of aborted fetuses.

In the temple, a woman in her 50s is already seated next to a priest praying for her lost child. Before them is an image of Buddha, surrounded by toddlers, the altar covered with fruit, rice, candy bars and Fisher-Price toys.

Outside, along the steep valley, are small stone statues. Each commemorates an aborted foetus. They are decked with bright red ribbons, each with plastic flowers

before them, many with toy windmills - to delight the children, says Shimizu. A few have been clothed in quilted anoraks to keep them warm. There are so many of the statues - 14,000 - that they have overflowed to the other side of the valley. In Japanese they are called *mizu-ko* - water children.

The effect of the statues in the winter snow may be chilling, but the *mizu-ko* industry is big business. Shimizu explains that the images each cost between ¥150,000 and ¥200,000 (£1,280-£1,640), depending on size. Income is raised in other ways too. At the back of the temple there is a shop offering books on the evils of abortion to the temple's 100,000 annual visitors.

Shimizu is resolutely hostile to the pill, partly because of potential side-effects, but mostly because it is against natural principles, he argues. He does not mention that a fall in the abortion rate that would follow the pill's introduction would also lead to a loss of income for the temple.

The purple cloud temple is not some ancient shrine. It was founded in 1971 by Tetsu Hashimoto, a conservative political journalist with strong links to the powerful Liberal Democratic party that has ruled Japan almost continuously since 1945. It was no coincidence that Eisaku Sato, the then LDP prime minister, attended the temple's opening. "Almost everyone in the LDP is opposed to the pill," says Takashi Watanabe, medical adviser to the Japan International Corporation of Welfare Services.

Conservative politicians' opposition to the pill is only partly motivated by religion and morality. They also have demographic concerns. Not least they are concerned about Japan's fertility, which hit an historic low in 1986. From 2005, the number of births will fall below the number of deaths. If this con-

tinues, by 2034 the population is predicted to decline from 120m to less than 100m, and by 2100 to just 50.5m.

The pill, they fear, could accelerate that decline with catastrophic economic effects. Less specifically, they have voiced worries about the effect of the pill on women's moral behaviour - for some reason men are never mentioned in this context.

But if the pill faces determined opposition, it also suffers from a lack of powerful proponents. The drugs companies have little influence. In the public perception, at least, they occupy the moral low-ground, wanting to generate profits by peddling potentially dangerous medicines to healthy women.

As for doctors, although both the Society and the Association of Gynaecologists and Obstetricians off-

the Japanese abortion industry is worth more than \$110m a year and probably much more.

Without the support of government politicians, bureaucrats and even many doctors, the pill's prospects have also been hindered by lack of support from Japanese women's groups. Curiously - and unlike in the west - women's groups have often been ambiguous about the pill, and have sometimes even opposed it.

However, many believe the pill's day may have come. Toshiko Hirai is part of a new team at the health ministry's licensing division that appears to be more liberal and has been embarrassed by the media attention over Viagra's licensing. New regulations for doctors prescribing the pill mean at least four check-ups a year that should

'Japan remains a society dominated by men willing to license a pill for their own benefit, but scared of giving young women control over their fertility and sexuality'

cially support the pill, a substantial proportion of their members is hostile. Many believe the reason is simple economics.

"It's not often voiced publicly, but gynaecologists are worried about lost revenues," says Minaguchi. "It's clear that if the low-dose pill is licensed, there will be a fall in the number of abortions performed."

"Most obstetricians in private practice generate a substantial percentage of their income from performing abortions," agrees Wagatsuma. "That's the reason why other modern methods of contraception - IUDs, injectables and RU486, the abortion pill - aren't licensed here."

Officially, there were 337,000 abortions performed in Japan in 1997, but the true rate is estimated to be as high as twice that figure. The reason is that there is systematic under-reporting by doctors so they can understate their income and avoid paying tax. Given that the cost of an abortion can range from ¥40,000 to ¥140,000, then even by the most conservative estimate,

generate ¥60,000 in fees per patient, says Kitamura. And political support is gathering, with 38 of the 68 female members of parliament this month demanding the pill be legalised.

The next meeting of the relevant body - the health ministry's central pharmaceutical affairs committee - is next Wednesday. "I don't want to sound like the boy who cried wolf because we've had so many occasions when we thought the pill was about to be approved," says Kitamura. "But this time I really think it could happen."

Even if approved, the pill will prove no bonanza for the pharmaceutical industry. Demand will be limited not least because patients themselves will have to pay for the drug and compulsory consultations.

A recent survey suggested that only 7 per cent of women of child-bearing age - about 2m people - were interested in using the pill. But if Hirai does decide to use his *hanko* next month, at least Japanese women will have the same choice as women elsewhere in the world.



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BODY AND MIND

PSYCHE YOURSELF UP

In pursuit of happiness

In a series beginning today, Andrew Derrington looks at the world of psychotherapy and offers a rough guide to the different schools. This week he sets the scene by arguing that professional help can be a viable alternative to drink, recreational drugs and sex

You are miserable. You want to be happier. What can you do? There is a huge range of ways to alleviate your condition.

Drink, recreational drugs and sex are among the most popular. Unfortunately, although the initial effects can be exhilarating, they often turn out to be temporary palliatives rather than reliable stand-bys. The misery can return even before the hangover is gone.

Although Prozac has more durable benefits, today's happiness pill may turn into a chemical crutch tomorrow.

Friendship, marriage and children are safer in the long term. They bring lasting happiness to millions. But for millions more the happiness fades into boredom. Infidelity may spice up a lacklustre marriage but could precipitate its replacement with something much worse.

Religion is a safer option. It is certainly both enduring and popular. Christianity, now approaching its 2,000th year, offers eternal happiness to billions. But the small print of this offer demands faith, something that you may not have and cannot buy.

If you lack faith but possess a modest supply of money, there is another option. You could try what many regard as this century's successor to religion: psychotherapy.

Where does psychotherapy come from? Where is it going?

What problems can it deal with? How effective is it? What is the cost in money and in commitment? What is it like? Unfortunately, answering these questions is not simple. Just as Buddhists have different history, concerns and practices from Mormons, so psychoanalysts would answer our questions differently from hypnotherapists.

Each of the 20-odd accepted schools of psychotherapy and counselling currently on offer provides different answers. They will be dealt with school by school in the Weekend FT's rough guide to psychotherapy, starting next week.

The different therapies also share history, practices and underlying assumptions. They offer a spectrum of approaches differing in treatment style, intensity and in underlying goals. This article begins the rough guide by scanning quickly through that spectrum.

Although not the oldest - that honour probably belongs to hypnotherapy, which Freud practised early in his career and which is still used today - psychoanalysis, Freud's invention, defines one end of the spectrum. It provides a standard against which the practices and beliefs of other therapies can be judged.

The activity of psychoanalysis, all too easily caricatured, takes two sentences to describe. The patient, or analysand, lies on a

couch and says whatever comes to mind - without censorship. The analyst, usually out of sight, listens and occasionally comments, for 50 minutes a session, five sessions a week for three years or more.

So what is going on? The Freudian view is that our neuroses arise from unresolved conflicts in our mental processes, many of which we are unaware of. The conflicts are caused by events or patterns of behaviour - often desires that we repressed or were unable to gratify - in our past. The conflicts in our unconscious processes are revealed by patterns in what we say, and avoid saying, on the couch. The analyst's comments clarify and interpret these patterns.

This aspect - paying a professional to listen to our woes - is central to all the talking therapies. Many believe that this common ground is much more important than the differences in the aims, beliefs and practices of

the therapies we touch on here. The main difference in aim is whether the problem is to be eradicated, which takes time, or simply brought under control, which can be very quick indeed. Psychoanalysis takes so long because the aim is to master neurosis by revealing and resolving

'Many people come into therapy because they are frightened of jeopardising their friendships. You pay the therapist to put up with you at your worst'

the conflicts on which it is based. Psychoanalytic psychotherapy works less intensively, typically with two or three sessions a week, towards the same goals. Simpler therapies aim to resolve problems more quickly - and some would say more superficially - by learning new behaviour or thought patterns. The differences in beliefs are

enormous. The big-name therapies were originated by followers of Freud who modified his theories. However, differences of this kind are unimportant in themselves. Their main effect is on the language and strategies of the therapist. Aspirin, which is based on a chemical derived from

French Royal Society proved that claims it was mediated by magnetism were false. For it to work, Freud's model of the mind does not have to be any more than a useful metaphor for therapies based on it.

Differences in practice are crucial for many people considering therapy. The practices determine what it will feel like, what you will have to do. As well as free association on a couch, these include role-playing, group discussion and meditation. We shall leave the details for now.

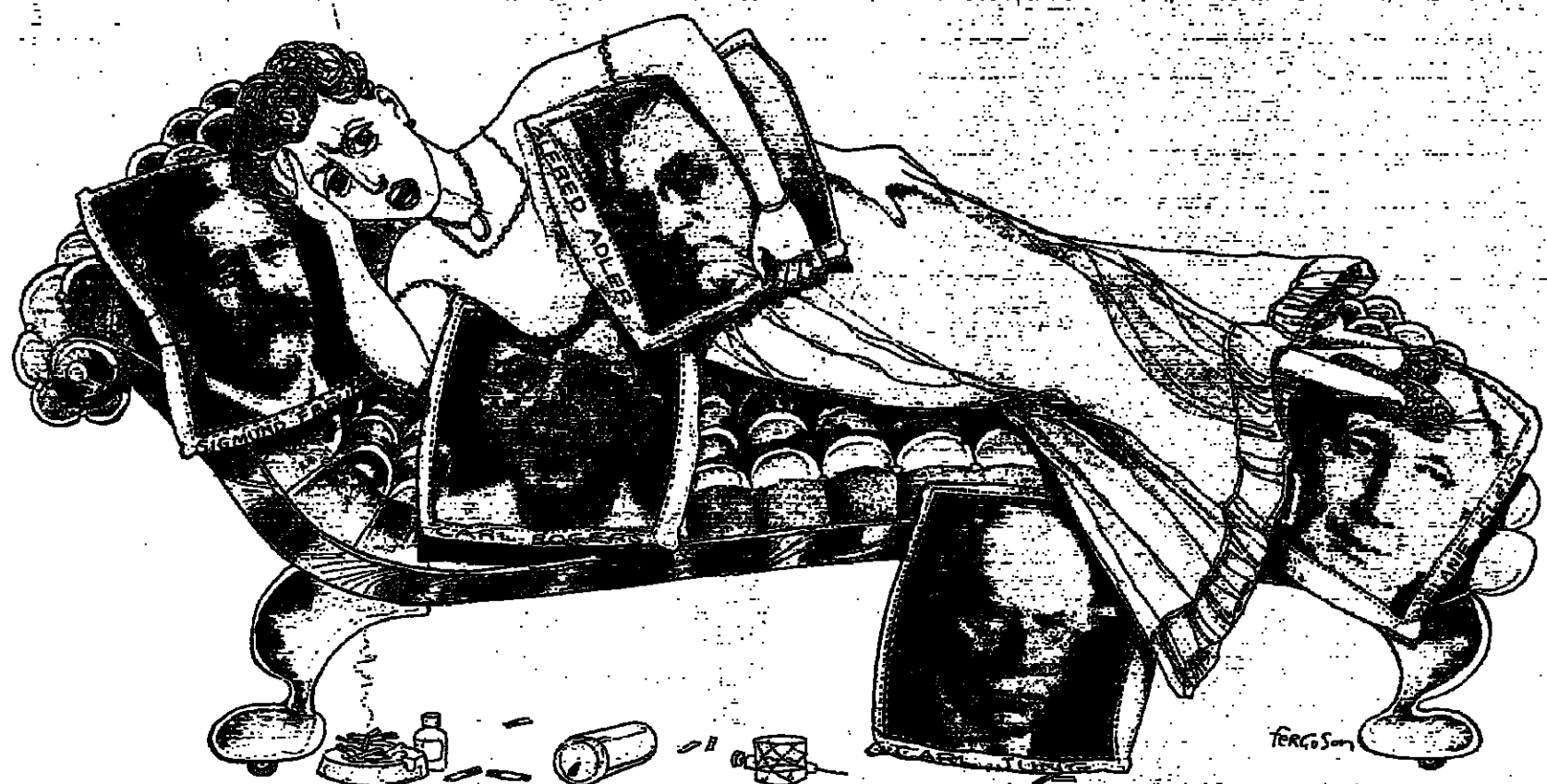
But considering the range of therapeutic practices does raise a question. Why, apart from picking the most palatable therapy, would anybody opt for the commitments - in time as well as money - of psychoanalysis? There are less demanding cures on offer, such as the aptly named "brief therapy" which, according to some claims, can resolve most problems in a single session. Why would we use a therapist at

all, rather than pouring our heart out to a friend?

It's a free choice based on the perceived benefits - and costs - of each option. "Many people come into therapy because they are frightened of jeopardising their friendships," says Meg Errington, a Freudian psychotherapist who practises and teaches in London. "You pay the therapist to put up with you at your worst."

This raises a final question. Should you try to choose the right school of therapy, or the right therapist, perhaps based on a recommendation from a friend or a GP? Over the coming months the rough guide will give you a chance to survey the therapies, but for those in a hurry, Errington has a reassuring answer: "If you choose the right therapist, that will be the right school," she says.

Next Week: Freud, the mother and father of talking therapies.



On the couch with the new religious leaders - the founders of therapy: from left, Sigmund Freud, Carl Rogers, Alfred Adler, Carl Jung and Melanie Klein

THE NATURE OF THINGS

Start fidgeting and fight the flab

As obesity levels grow, Kate Bendall looks at how the hunter-gatherer in us may still be eating for a famine

Our cat has developed an effective method of weight control. During winter she eats, sleeps and grows fat. As spring approaches, she works off her paunch in the garden and by summer she appears svelte, despite her fluffy coat.

Unfortunately, burgeoning rates of obesity in many western countries over the past few decades suggest many humans find it far more difficult to regulate their weight. The World Health Organisation fears that the US, where nearly a quarter of the population is clinically obese, may be at the forefront of an obesity epidemic which is likely to spread across the globe.

The frustrating propensity for weight gain experienced by many people living in the west is probably a consequence of our past. For most of human evolution, people lived hunter-gatherer lifestyles. Finding food required a lot of effort, and its availability alternated between periods of feasts and famines.

The people most likely to survive to pass their genes on to future generations would have been those whose bodies used energy efficiently, stored surplus

food as fat during times of plenty, and were therefore best able to withstand famines.

The human environment has changed rapidly and drastically. In most western societies, tasty, highly refined food is conveniently available in effectively unlimited quantities. Also, increasing mechanisation ensures that most people can easily avoid taking regular physical exercise.

These changes mean the same genes which improved people's chances of survival during famines may be a liability today; they make us more likely to become obese. While a few excess pounds are unlikely to be a health hazard for most people, severe obesity increases the risk of developing serious illnesses such as heart disease, diabetes and cancer.

Although most people know that a healthy diet and regular exercise are crucial factors in weight control, it is widely accepted that doing it by these methods alone is extremely difficult. Pharmaceutical companies hope to develop anti-obesity drugs but, unfortunately, many of the drugs marketed so far have unpleasant

or even life-threatening side-effects and have had to be withdrawn.

A few obese people, who are known to have specific defects in their metabolism, can probably only be helped by the development of safe and effective anti-obesity drugs. However, most people with a weight problem have a milder tendency to pile on pounds, and scientists aim to uncover physiological differences between those who gain weight easily and those who do not.

New research from Rochester, Minnesota, takes an important step towards that goal. Scientists James Levine, Norman Eberhardt and Michael Jensen recently found that levels of unconscious physical activities such as fidgeting have a significant effect on how easily people gain weight.

The researchers overfed 16 volunteers by 1,000 calories a day for eight weeks, and measured their body composition before and after overfeeding. The volunteers burned up on average a little over half the excess energy, and stored the remainder as fat. The quantity of fat gained by different people ranged widely

from just 0.36kg to more than 10 times that amount. The scientists concluded some volunteers were somehow able to resist putting on weight, despite overeating.

People mainly burn energy in three processes. First, a person lying down at rest burns some energy, known as the basal metabolic rate. Second, energy is used to digest, absorb and store food. Third, energy is needed for physical activity.

The researchers found that after being overfed, the amounts of energy used up by the volunteers both in basal metabolic rates and in processing the extra food, increased by about 10 per cent. However, although these processes used up more surplus energy in some people than in others, the energy used in different people was not correlated with the amount of fat they gained.

The remaining factor which might determine why some people gained more weight than others was different levels of physical activity among the volunteers.

Some people may intentionally take more exercise after indulging in overeating. However, this requires a



Tucking in: there are fears that the US may be at the forefront of an obesity epidemic

conscious decision and is not a physiological adaptation by the body to regulate weight gain. To eliminate this source of variability, the volunteers were instructed to take low, constant amounts of physical exercise.

Since the volunteers all took the same amount of deliberate physical exercise, any variation in the amount of physical activity resulted from non-voluntary exercise, such as the energy needed to maintain

posture when not lying down, the energy used up in the activities of daily life, and fidgeting. The researchers grouped these types of activity together under the name Neat - non-exercise activity thermogenesis.

The amount of energy used in Neat increased among the volunteers when they were overfed, but to very different degrees in different people. On average, the increase in energy used up in Neat accounted for

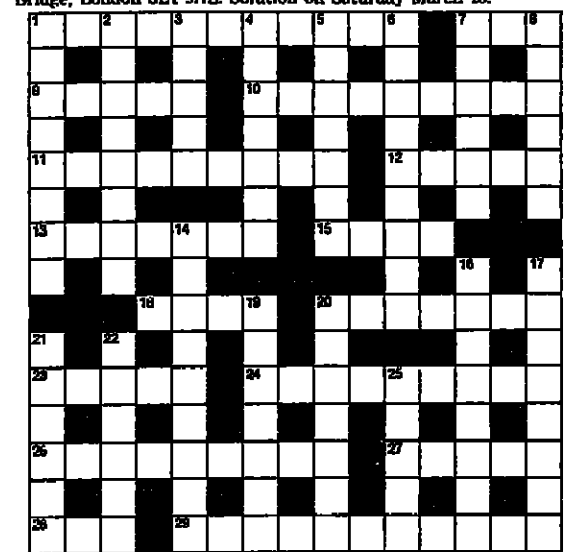
two-thirds of the total increase in energy used daily. Most important, the changes in Neat directly predicted how much fat a person would gain.

The researchers concluded that the people whose bodies were better able to avoid fat gain were those who activated Neat efficiently. Those fidgety few would have been losers during prehistoric famines - but today the rest of us can only envy them.

CROSSWORD

No. 9,925 Set by DINMUTZ

The prize of a matching set of finely engraved personalised notepaper, envelopes and correspondence cards on Ecu Rld Finish Paper from Crane & Co will be awarded for the first three correct solutions opened. Solutions by Wednesday March 10, marked Crossword 9,925 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday March 13.



Name: _____
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ACROSS

- 1 Imagine a century, if bacon, say, is suspended there from (7-4)
- 7 Drops out of side window (3)
- 9 Bottle never broken (5)
- 10 Shameless English expression retained by Shakespeare (9)
- 11 Cytherea otherwise, atrophied otherwise (9)
- 12 System to apply for (5)
- 13 The foreign bilge, perhaps, that is decipherable (7)
- 15 Stock check (4)
- 20 Dismiss bank employee... (7)
- 23 ... with a shortage, regrettable (5)
- 24 Excited entrant is passing (9)
- 26 In very high spirits, give mate a ring (4-1-1)
- 27 Single malt drunk? The language! (8)
- 28 Express noise abroad (3)
- 29 Place lease in Pinkerton's office? (11)

Solution 9,924

ROCKROBIN COMIC
L E O U G
ALLOW ENTERTAIN
N U I H I B O T
GREENFINGING GOUR
I I J A I E V
NOBLES DOGGIE
A O O R D L
TERRACE MERCURY
L I T E R A T U R E
ORAL AMBIGUITY
N O P A E T I A
A N G O R A G A T I C I A
L E E T A I O R
S P R E E D U C K L I N G S

DOWN

- 1 Obelisk left in ship's tender (8)
- 2 Old state of the silver-lined vehicle leading (8)
- 3 Rust in plants (some manured ones) (6)
- 4 Stevenson wrote of its decline on bed (4-2-2)
- 5 Stuffy, being bald and having lost cap (7)
- 6 Abandoned above Ponders End? Crumpled (9)
- 7 Settling policemen in river (8)
- 8 These shore birds saw red when disturbed (6)
- 14 Vote against seven at table (9)
- 16 Inn meals served for chap on the field (10)
- 17 Callously rub the wrong way with scored stick (8)
- 19 Prize split in underground chamber (7)
- 20 Mine can be topical (7)
- 21 Endless incentive to include copper in closed meeting (6)
- 22 Incontinent pressure on yacht that comes to grief (6)
- 25 Smooth material for day at home? (5)

Solution 9,913

NABERY PROTOCOL
S E A T A U L I E
PIPERHAM MOURN
O E V E R E N I
TURN BRAKELIGHT
I I J A I E V
SPOONER MOBILE
M V T O E C
PARISH DOWAGER
L I T E R A T U R E
B A M S H A G H I E H O U S
A E R U A N A
V I R U S S I G N O O A R D
E A T I A E B E R
S E L F S O W N L A W Y E R

BRIDGE PAUL MENDELSON

Successful defence rarely demands a pro-active approach. Most of the time, concentration and counting are required in the quest to avoid giving the declarer tricks.

The only time to be aggressive is when you deduce from the bidding, or can see in front of your nose, that dummy contains a long suit on which declarer can pitch his losers. Then, you should attack - making sure your partner knows your plan.

N
♠ Q 6 4
♥ 7 6 4
♦ A K Q 8 6
♣ 4 3

W
♠ K J 10
♥ A 5
♦ 9 5 4 3
♣ 10 9 5 2

E
♠ A 5 3
♥ 3 2
♦ 10 2
♣ Q J 8 7 6

S
♠ 9 7 2
♥ K Q J 10 9 8
♦ J 7
♣ A K

Dealer: E All vulnerable
North stretched a little to jump to game, but he knew

his long diamond suit would be useful for discards. However, the hands did not fit well, and the game should be defeated with routine defence. West started with a passive 104, which ran to East's 64 and South's A4.

South clearly knew his opposition because instead of taking his legitimate chance of playing for a 3-3 diamond break - allowing him to pitch a spade loser - he opted instead for the defence to go astray.

He led Q♥ and, when this held, K♥. West won and switched to J4 - on the attack before declarer could pitch his losers on the diamonds.

Declarer covered with dummy's Q4 and East won. But, now, East switched back to clubs, and declarer claimed the rest.

Of course, East was at fault. To beat 4H, at least two tricks would be required in spades, even if there was a club to cash, so it must be right to return a spade.

May 18 huge 18 Nef 14 14 B44 as 15 Euf 15 16 N4 17 K1 Q45 Around here Black loses the thread. 18...23 is more forcing. 18 ends Bf 19 Nef Rf6 20 exb4 Qxb4 21 d6! The d5 square for White's knight proves decisive. Bx4 22 Bx4

CHESS LEONARD BARDEN

The elite eight-player double-tournament which began last weekend at Linas, Spain, is a critical test for the UK No 1 and world No 6 Michael Adams.

The 28-year-old Cornishman takes on Kasparov, Anand and Kramnik with the chance to establish himself as a potential title challenger. Last month Adams only drew 5-5 against America's Yasser Seirawan in Bermuda, but this was the best game of the series (M Adams v Y Seirawan).

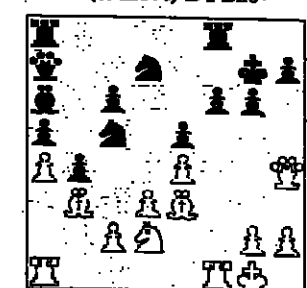
1 e4 e6 2 d4 d5 3 f3 The Fantasy Variation, a good choice for an attacking player against the solid Caro-Kann. g6 dx4 4 Bx4 e5 is a critical line, but Seirawan had tried that earlier in the match.

4 c3 Bg7 5 Be8 e6 6 dxe6 Bxe6 7 Nd2 Ne7 8 Qc2 0-0-0 9-0-0 a5 10 b4 b5 11 b5 Now we have opposite sides

castling, and both GMs go for broke. N47 12 h4xg6 h4xg6 13 Nef 14 14 B44 as 15 Euf 15 16 N4 17 K1 Q45 Around here Black loses the thread. 18...23 is more forcing. 18 ends Bf 19 Nef Rf6 20 exb4 Qxb4 21 d6! The d5 square for White's knight proves decisive. Bx4 22 Bx4

N7e6 23 Nd5 Qb7 24 Qc2 e4 25 Bx2 f5 26 Nf6 Kc7 27 Rh7 Kxf6 28 Qb4 Resigns. No 1272

Joseph Blackburne v James Hanham, New York 1889. The obvious play for White (to move) is 1 Bb6+



Kb8 2 Bx8, but this rebounds when Black counters 2...Nxb3+ 3 Kh1 Nxd2.

Blackburne, the UK's best player a century ago, had the honour of using the same chessboard on which Paul Morphy sacrificed his queen against Paulsen, and wanted to finish in his hero's style.

His next two turns prepared a winning tactic, and when Hanham made a routine reply, Blackburne pounced.

With these clues, can you work out the finish? Solution, Page XXII

PERSPECTIVES

LUNCH WITH THE FT

Escape from the black dungeon

Biologist Lewis Wolpert discusses with Clive Cookson the wellsprings of his own severe depression and how he was able to recover from it

Lewis Wolpert is one of science's few great showmen. His performances on radio and television, at public lectures and in print have enlightened thousands of people not only about his own field of biology but about the whole sweep of science.

Now Wolpert has turned inward for inspiration. His latest book, *Malignant Sadness*, and the accompanying television series, *A Living Hell* (which starts next week in the UK on BBC2), are a searingly personal investigation of depression, triggered by a severe depressive episode in his own life almost four years ago, from which he has recovered.

Indeed the Lewis Wolpert I meet at Pied à Terre, an upmarket restaurant on Charlotte Street close to his laboratory at University College, London, could hardly seem less depressed. Only his clothes seem sombre - a dark suit over a black polo neck shirt; his manner is friendly, relaxed and happy.

But not complacent. While we are still nibbling pre-lunch olives,

secure job" - professor of biology as applied to medicine at UCL.

When I telephoned Wolpert to make a lunch date, he had told me he was not really interested in food. He suggested meeting either in the UCL staff canteen or at the place round the corner where he eats once a week. So I am impressed that Pied à Terre turns out to be one of London's best restaurants.

Wolpert pays little attention to the menu, however, following my lead on all three courses, striking out on his own only to order a Diet Coke. He is happy to banter with the staff about genetic engineering - as a mainstream biologist, he believes the future about genetically modified food is grossly exaggerated and threatens to boycott the restaurant if it bans GM ingredients - but does not discuss their culinary work.

As we eat our artichokes and scallops in truffle oil, Wolpert tells me more about his own depression. He believes it started with difficulties he experienced controlling an irregular heart

tal dungeon. Over several weeks, antidepressant medication, cognitive therapy and strong support from friends and family brought him back to normal.

Bereavement is known to be a powerful trigger for depression, so how did he avoid a relapse after Jill died? Wolpert is not sure. It helped that they both knew five or six months in advance she was dying, he says; a sudden bereavement is mentally more devastating for those left behind. "I think that regular running or jogging helped keep me sane too," he adds.

Immediately after Jill's death, he set off for Asia to investigate non-western attitudes to depression, in preparation for writing the book. "I mourned her while I was away, but mourning is quite different from depression."

Wolpert found on his travels that depression carries a far greater stigma elsewhere than in Europe and North America. One result is "somatisation". Sufferers who cannot talk openly about feeling depressed, even to doctors, are liable to report intense physical symptoms, particularly stomach pains and headaches. Indeed Wolpert believes somatisation of depression is more common in the west than most people realise, though its mechanism is a complete mystery.

As I savour the delicately poached herring, Wolpert continues his assault on the subject. He appears hardly to notice the food as he explains his theory of the evolutionary biology of depression - "really my only original contribution in the book". He rejects the standard explanation that depression is an extreme form of an adaption "whose function is to inhibit aggressive behaviour to rivals and superiors when one's status is low - a human version of the submissive ape".

Instead, Wolpert sees it as malignant sadness, hence the book's title. "I believe it is an illness that occurs when sadness goes out of control. Sadness has evolved as a means to maintaining attachment (to the family), in a world without sadness, what would there be to encourage attachment to our children or our partners?"

He draws an analogy with cancer, which occurs when the normal cellular growth process runs out of control. "Sadness is to depression what normal growth is to cancer."

By now we have reached the dessert - a multi-layered confection of chocolate, chestnut and caramel that attracts Wolpert's attention. "I only eat to get to

'It was the worst experience of my life. More terrible even than watching my wife die. I am ashamed to admit that my depression felt worse than her death'

Wolpert says he is well aware that the black curtain may descend again. "The statistics say there's a 50-50 chance of another episode. When my wife (Jill Neville) died 18 months ago I was very worried about going back into depression but I avoided it then."

The casual yet affectionate tone in which Wolpert brings his late wife into the conversation shows how willing he is to expose the black spots in his life. So does the opening of the book: "It was the worst experience of my life. More terrible even than watching my wife die of cancer. I am ashamed to admit that my depression felt worse than her death but it is true."

Several other authors have used their own experiences to write movingly about depression. But Wolpert says the first reaction of most people to his project is "How brave you are".

"What they are really saying is that they are surprised and impressed that I am prepared to admit having an illness that is so stigmatised." In fact, he insists, "it requires no bravery at all for me to talk about my depression in public. Firstly, I am a performer and, secondly, I have a professional standing and a

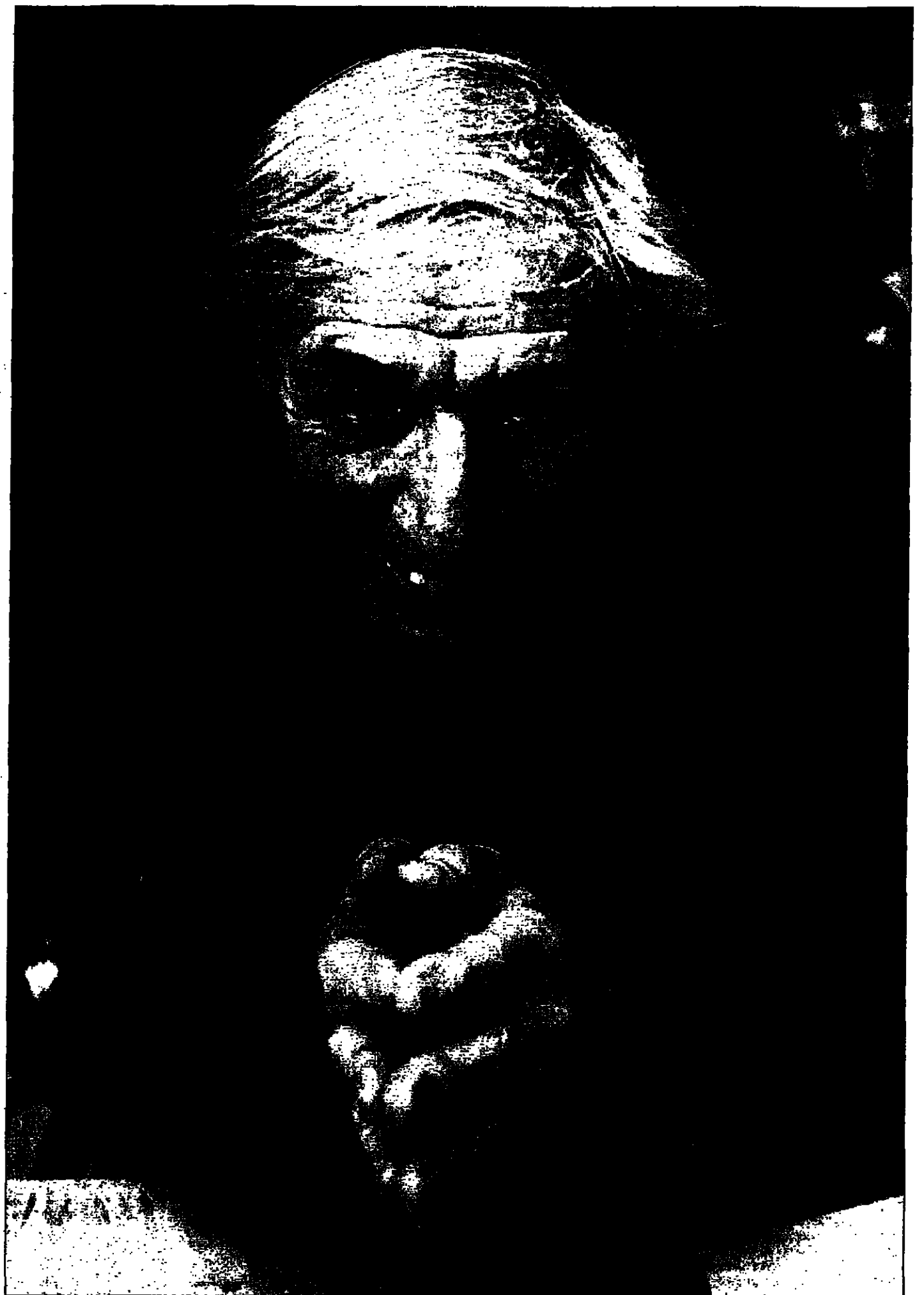
rhythm. A change of medication precipitated a downward spiral that ended with Wolpert curled up in bed for days on end, thinking of suicide but feeling too negative even to kill himself.

"Severe depression borders on being beyond description," he says. "It is not just feeling much lower than usual. It is a quite different state, a state that bears only a tangential resemblance to normal emotion."

It seems to me that, even if Wolpert's new heart drug (flecainide) triggered the episode, his self-confessed hypochondria must have played an important role in exacerbating the depression. Anxieties about pharmaceutical side-effects and incapacitating illnesses preyed terribly on his mind.

His wife Jill believed the depression was linked to a planned trip back to South Africa, from where he had emigrated in 1962 and where his father had been murdered some years ago. Although he dislikes this psychological explanation, he concedes there may be some truth in it. In addition, he is likely to have a genetic predisposition to depression.

Whatever the cause, Wolpert gradually emerged from his men-



Lewis Wolpert: 'The statistics say there's a 50-50 chance of another episode. When my wife died I was very worried about going back into depression but I avoided it then.'

Malcolm Wilson

this part of the meal," he says.

The diversion is brief. We swiftly return to depression and how to treat it. The main categories of treatment today - drugs and cognitive therapy - are about equal in effectiveness, Wolpert says. About one-third of patients are helped, one-third

would get better anyway and one-third fail to respond.

Not surprisingly for a biology professor, his hopes for the future are pinned on pharmaceutical research. By understanding the extremely complex biochemical pathways in the brain that lead to depression, scientists will

be able to develop far more effective treatments, Wolpert says.

"I put great emphasis on the development of new drugs, as it is hard to see any major advances being made in the field of psychotherapy."

By the time we leave, it is clear that for Wolpert a taste of sad-

ness will linger for ever, however happy he seems. The flavours of the meal will soon be forgotten.

■ To order a copy of *Malignant Sadness: The Anatomy of Depression*, by Lewis Wolpert (Faber, £9.99, 196 pages) at the special price of £2.99 inc free UK p&p, call FT Bookshop on 0181-324 5511.

ETHICS TODAY JOE ROGALY

The displeasure principle

Good 'sin tax' discourages undesirable behaviour but not so much that people stop doing it



When we stray from the path of virtue we are thrice punished. We inflict physical harm upon ourselves. We feel the burden of guilt. Worst and most painful of all, we pay taxes.

Revenuers, those stern and implacable collectors of money for the government to spend, put their hands in our pockets when we drink, smoke, drive, or gamble. You could call this the displeasure principle. The greater the fun, the higher the cost. No wonder so many of our weaker brothers and sisters frolic about behind the bushes or jolly themselves along on illegal drugs.

These two popular recreational activities are about the only ones that do not incur some sort of contribution to the public purse. The best things in life are tax-free.

We will learn the price of the supposedly undesirable enjoyments on March 9, when Gordon Brown presents the British Budget. The chancellor's impost will constitute a useful guide to what the government regards as acceptable behaviour. It is committed to a rise of 5 per cent in the tax paid on tobacco and 6 per cent on fuel. These percentages come on top of inflation.

As to alcohol, the rate of duty you pay depends on your tipple. Beer is tax-cheap, whiskey expensive, wine in between. The lessons for those of us who wish to be obedient citizens are clear. Walk, smoke

marijuana and drink water. If you must imbibe, stick to pale ale.

In the US fiscal matters are settled by hallowed tradition. The president presents the budget and congress tears it to shreds. Bill Clinton is not well positioned to argue too forcefully for the taxation of common pleasures, but he tried his best on February 1. That was the day he proposed to increase the tax on cigarettes from 24 to 79 cents a pack, not to mention the suggested federal

take-off of money paid by tobacco companies in legal settlements. Congress has rejected such propositions in the past, and what I read in the US papers tells me it may do so again.

But this time the president has been particularly astute. He did not accept the Republican call for a general income tax cut, preferring to budget for expenditure on social security and Medicare. To balance the books and provide for targeted tax cuts, he needs the cigarette money.

He also threw in extra spending on environmental programmes, including \$2.6bn in tax breaks for investments in renewable energy or the purchase of energy-efficient houses, cars, and domestic appliances. What do you guess will go when the final budget is settled - such manifestations of greenery, or some of the extra tax on smoking?

As with all such questions, the answer lies in the chaos

theory of politics. We can wait. What we need in the meantime is a coherent model of taxation as an instrument of social engineering.

To see what I mean, think back a few decades. Before the Californians and Danes led the west in a universal middle-class revolt against high taxes on income your average finance ministry sought to take more money from the rich than the poor. The more you earned, the higher the rate of tax on income. No serious politician

The lessons for those of us who wish to be obedient citizens are clear. Walk, smoke marijuana and drink water

running for office would have suggested a flat-rate income tax; it was inconceivable.

The conventional strategy was called redistribution. It was regarded as a second moral principle. Today we are reminded by a New Labour cabinet minister that the creation of wealth is of a higher order of importance than its redistribution. I suppose that is equally sound. At any rate it is the new economic ethos.

It is also the root cause of the attention paid to taxes on our so-called vices. The wealthy are no longer cash cows for national treasuries. Politicians believe that they will not get elected if they threaten to reduce the net disposable income of the rich

or the middle class, so they invent ways of telling us how to dispose of it.

There is a certain amount of humping in this. Revenue from tobacco duty would fall if too many peeps gave up the weed. It would also drop if smokers could buy lower-taxed tobacco products across borders, as the Canadians discovered in the early 1990s.

For these reasons increases in "sin taxes" are finely calibrated; it would not do if the signal sent by the government worked too

well. The total take would fall, and that is never the intention.

Sometimes the most well-intentioned tax hikes can have a perverse effect. This week British truckers made a fuss about the forthcoming 6 per cent above inflation increase in fuel tax. They set out to stop the London traffic not that anyone would notice. The leader of the opposition jumped behind a driver's wheel to pose for the cameras.

The truckers' strongest argument is that they can fill up their tanks for much less money when in France. The lorries crowd the British roads, but the French get the tax income. We will see how Mr Brown responds to that.

Most of us favour green taxes. They must, however, be properly targeted. Even when they are they do not always work. I have to confess that successive increases in the cost of petrol have had no effect on my car usage. We automobile addicts will pay whatever we have to to run our vehicles. But activities that harm the environment are legitimately discouraged, since we are all affected.

Activities that mostly harm those who indulge in them are another matter. Once upon a time I was an irregular smoker of cigars. A Havana, preferably a gift, was always welcome. As to my drinking years, the elasticity of demand did not enter any further into my calculations than such concepts, from Economics I, entered my brain.

It is not immediately obvious that governments are behaving more ethically when they seek to discourage, by taxation, such indulgences. In the case of tobacco you could say they are protecting people from themselves. Does any administration have the right to do that?

Alcohol is another matter. It is entirely possible that more social damage is done by drink than soft drugs. Drunk drivers are simple killers. A large proportion of the violent crimes in our cities is accounted for by fights outside bars. Still, it is a pity governments have to use tax to influence personal choices.

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BOOKS

All over Europe, they loved the English gent

Andrew Motion enjoys a spirited contribution to the debate about national identity — including the coconuts

VOLTAIRE'S COCONUTS:
or Anglomania in EuropeBy Ian Buruma
Weidenfeld £18.99, 312 pages

Fifteen years after *Flaubert's Parrot*, here is Voltaire's *Coconuts*. Ian Buruma's title is meant to be a dab of laughing powder, brightening up what might otherwise seem a rather worthy enterprise. Namely, to examine the relationship between Britain and mainland Europe by focusing on several notable Anglophiles and a few equally striking Anglophobes. Taken by itself, it looks a touch desperate. Combined with Buruma's willingness to use personal as well as textbook history (both his grandparents were children of German immigrants, his father was Dutch and his mother English), it gives a fair idea of the book's achievement. It is a piece of serious chat, and makes a spirited contribution to the debate about national identity.

So what are the coconuts? Voltaire, being a rationalist and a universalist, could not understand why the laws which governed British liberties were not more generally adopted round the world. But as Buruma points out, "he anticipated the objections of less enlightened minds. They would say that you might as well ask why coconuts, which bear fruit in India, do not ripen in Rome. His answer? Well, that it took time for coconuts to ripen

in England too." The optimism of this is endearing: much of what Voltaire had to say about freedom — or lack of it — appeals to what is noble in human beings, as well as what is sensible.

At the same time, there were self-deceiving and even snobbish elements in his thinking. England's constitution, being more tolerant than the absolute monarchy Voltaire knew in France, might have provided him with a model of liberty. But the power retained by the English aristocracy allowed all kinds of privileges to remain unchallenged, and encouraged distinctly unliberal differences in wealth and opportunity. Moreover,

English nationalists, examining Voltaire's reputation 10 years after his death, when he was recognised in Paris as a precursor and hero of the Revolution, could not reconcile the freedoms they cherished with the principles which had been extracted from them.

Buruma is alive to the paradoxes here, and allows them to develop through subsequent chapters. He insists everywhere on the difficulties of speaking about national character ("worrying about Englishness," he says, "usually results in great balls of intellectual wool"), and whenever he talks about Europeans who followed where Voltaire led, he emphasises the contradictions in their thinking. André Malraux, for instance, is cited at the end of his life as saying that the English gentleman was one of the greatest creations of western civilisation — thereby implicitly honouring the status quo, while at the same time arguing that the type

he admires is "made, not born".

There is a risk that coconuts such as these, when piled up chapter after chapter, might eventually start to look like chestnuts. The book's cast of (mainly) French and German Anglophiles tend to harp on about similar defects in their own cultures, and to repeat almost identical points about the sceptred isle. On the whole, though, Buruma manages to avoid this danger by allowing his characters' biographical background to loom as large as their argumentative foreground. While he tells us how Goethe treated Shakespeare, or how the early 19th-century Prince Puckler-Muskau (Lord Saurbuck of Puckler-Papen) converted his park into an English-style Arcadia, or how Leslie Howard and Alexander Korda (both originally Hungarians) eulogised their adopted homeland in the original '30s film of *The Scarlet Pimpernel*, we see

issues of nationalism and internationalism diversified almost endlessly.

Some of Buruma's case histories are fantastic, some humorous, some sad, and some ridiculous. The best have a concentration which his easy-going style does not always readily admit. The chapter on Pevsner is especially good. Tracking the old boy's experience as a refugee, and describing the 50 volumes of *The Buildings of England* as a monument to Anglophilia on a par with Voltaire's *Letters Concerning the English Nation*, Buruma tells a complicated story about the clash between conservatism and radicalism, "the trust in reason and the worship of tradition".

It is a special strength of the book to see such conflicts without feeling compelled to resolve them. Pevsner himself, whose ideas about most things under the sun were hard and fast, would have no doubt found this

threesome. Buruma, on the other hand, sees that the truth he seeks actually depends on ambiguity and cross-currents. In this sense, his characters seem slightly absurd, as well as touching, in their devotion. Whereas their ideas about British liberty depended on certain fixed notions of British national character (Pevsner, for instance, believed that the Germans were given to abstraction and spiritual extremism, and on the other side of the North Sea things were all phlegmatic and empirical), the reality has always been much less simple. In so far as British law has enshrined certain freedoms, it has done so by combining age-old social structures with a determined and usually commercially-minded flexibility.

Buruma does not need to justify his style by reference to this openness, but the relaxed way in which he has written his book certainly suits his thesis. Moreover, it keeps his judgments

warm. There is scarcely a chapter in which he does not delve into some personal memory or other, and there are several in which he is frankly autobiographical. The best of these is a reminiscence of his time as a writer on foreign affairs for the *Spectator* in the 1990s. Recalling the "almost" self-parodying Englishness of its then Editor, Charles Moore, and the "odd Anglophile world" inhabited by most of his colleagues, he feels "I had stumbled into a bizarre play without knowing all my lines or even quite what role to adopt". The point is not simply that Buruma's affection for England begins to cool when he finds a type of the national character being elaborated to an extreme. It is, more tellingly, that he is "too much of an Anglophile to live with the real thing for too long". The insight is typical of Voltaire's *Coconuts*. It is an amiable book, written by someone who has the intelligence to live both inside and outside his subject. Occasionally, it feels as though it is about to deliver broader conclusions than it in fact does, but even this restriction is a kind of strength. Its modesty is essential to its watchfulness — and to the ideals it celebrates.

Colossus' shadow

Jacqueline Rose finds Frieda Hughes living up to her poetic legacy

WOOROLOO

by Frieda Hughes
Bloomsbury £6.95, 76 pages

Frieda Hughes's first collection of poems presents her readers with a run of dilemmas with exceptional clarity and boldness. How to pay tribute to previous poets without losing or drowning your own voice? How to be the daughter of parents, never of one's own choosing, and yet craft your own life? How to be recognised, or more simply be seen, without feeling you might have given too much, that something has been stolen away?

It will surely be impossible for anyone to read these poems without searching for the voice and legacy of Ted Hughes and Sylvia Plath. But Frieda Hughes has got there before us. It is the strength of her collection that she can render her predicament in a way that so vividly encapsulates, but also exceeds, her own tale.

Wooroloo takes its title from Frieda Hughes's former home in Australia which was destroyed by fire. It opens with the title poem, an ode to a parched land where the poet has been *hollowed out* and *meditated*. And ends with "In Peace", which laments a dead lover, man and place — *Language got small here* — while hinting at a life-and-death struggle since his death spares the speaker from her own: *Just a body to be buried in. Had he not died first.*

So *Wooroloo* reads like a leave-taking or even homecoming, a tale of redemption which packs between these framing poems the poet's story of why — in her journey to Australia, a country as vast and inspiring as it was finally inhospitable — she had had to travel so far.

For anyone familiar with the barest outline of this narrative, it is hard not to read as the inaugural moment of this life and these poems the death, when Frieda was not yet three years old, of her mother Sylvia Plath. Poems like "The Shout" and "Thief" have a peculiar intensity, and not just because they thrust the reader so hard inside the child's anguish: *When the child reached small hands into those holes, she found nothing! Behind the sounds the mouth made! But the tongue flapping.* It is also because they force the reader to recognise the perverse component of their own curiosity. What are we doing when we look for Plath behind her daughter, trace Frieda Hughes's own poetry back into her mother's words: *Did you die for me? Was the voice in your head, that urged you? So loud it would drown me out?*

Both "The Shout" and "Thief" can be seen as Frieda Hughes's rewriting of Plath's "The Colossus", which opens: *I shall never get you put together entirely.* But in "The Shout", the daughter is addressing not the father, but

the mother whose fragments she successfully repairs: *Dead you are made over. Your face is painted in again. And faultless, you walk.*

One of the things these poems allow us to understand is why the enthusiasm of Plath's own readers has been experienced by the daughter as so disabling. If you are struggling to retrieve your own voice out of the flapping silence of your mother, you may well not welcome other voices interceding to breathe their life into her words.

For Frieda Hughes, it is not however just Plath — although she is never named — who suffers from such blinding misappropriation. Striding through this collection, also like a "Colossus", is the figure of a male poet whose voice rose among all the other voices: *That roared in the heavens, the fox who chewed his thoughtful paw, gnawed! At his own toes and knew his differences.* No listener has got the measure of this voice: *that voice made their own breath freeze! Like ice fog in the hang, his by fear [...]* But they did not think to let that light drive out their terror. Instead they blocked up those new corridors.

This voice seems to be powerful in direct proportion to its inability to be heard. But by putting the problem in these terms, Frieda Hughes ushers us into a paradox. How, then — or perhaps why — write poetry, if every reading is likely to be a misreading, if the risk of being invaded, taken over by your readership, is even more deadly than the risk of there being nobody there?

If *Wooroloo* at times feels weak, it is when the identification with this male persona becomes too strong, when it feels that — rather than struggling with the issue of inheritance — the poet were simply repeating a version of her mother's story which, although not the only version offered in Ted Hughes's *Birthday Letters*, we have nonetheless heard before: *No one could get past the stitches! That held her heart in, where once her father had lived. Until she turned to you and laughed! And all your pieces lay broken.* Or when the mimicry of Sylvia Plath's and Ted Hughes's poetic voice is too strong: *Its call hallowed her black... I am a damp moth: ... Fire saw this [...]* Fire was laughing...

But these moments need to be placed in context. *Wooroloo's* overwhelming question is how to proceed as a poet. In the end it might not be so easy to divide up the parental spoils. How can you decide which is the greater — enabling or disabling — force: the legacy of the poet who died or the one who, until recently and carrying off all the prizes, survived? Only "Tiger" suggests that this might not be a problem: *Tiger is born of tiger... Does not complain! It looks the same! It eats to become! Its father, to become! Its mother. But, the rest of Wooroloo leaves us asking, is such an outcome possible? And if it were, is it to be desired?*



Frieda Hughes: she renders her predicament in a way that vividly encapsulates, but also exceeds, her own tale

Immigrant charm

EMPRESS OF THE
SPLENDID SEASONby Oscar Hijuelos
Bloomsbury £6.99, 342 pages

With its sexy black and white cover — a Latin couple in a dancefloor clinch, bow, ruffles, mousetails — and luxurious title, Oscar Hijuelos's fifth novel flatters to surprise. This *Empress* is a working-class Cuban immigrant, a cleaning lady in New York.

With *The Mambo Kings Play Songs of Love*, which was subsequently filmed, Hijuelos won the Pulitzer Prize. A first-generation Cuban-American, he has rejected the ethnic label in the past; now he sinks himself in his roots with this episodic narrative of family life, set in his own neighbourhood on the Upper West Side. It begins in 1957, and wanders across the lives of Lydia Espinoza, her husband Raul, and their children Rico and Alicia.

Lydia is a woman dominated by longings: for the memory of her youth as the alluring daughter of a small-town mayor, "princess of Cuba"; and for the charmed lives of the wealthy who employ her. Lydia's relationship with the Upper East Side Osprey family is as central to the plot as it is to her dreams. Her nostalgia for an idealised Caribbean past, in which servants and workers were properly looked after finds fulfilment

in Mr Osprey's patronage.

Yet there is no escaping the appalling discrepancy between fantasy and reality in America. Arriving in 1947, Lydia's expectations were pure Hollywood; later, she anatomises the trappings of the urban poor: "the tennis shoes, the shopping bag... the thin 12-carat necklaces with a crucifix or Virgin medallion; the slightly distracted, heartbroken, and daydreamy expression".

In sentences half a page long, integrating Spanish words into his own warm and intricate prose, Hijuelos conveys the psychological complexities of living in a second language, and the first generation's uneasy passage to assimilation. At the rich school he is able to attend thanks to an "Osprey-scholarship", Rico encounters "great clouds of smugness... as unvarnished as the violence and larceny of the public institutions", which leaves him ill-equipped for adult life, a lonely figure with a permanent sense of dislocation.

While episodes like Rico's adolescent brush with the law illustrate class and racial prejudice, the novel lacks a wider political context. The Cuban Missile Crisis, the Vietnam War, the murder of JFK: history slips by without a mention, while religion seems an illusory reflex of the elderly; but this domestic novel works as social history, and as an effusive hymn to a more innocent and hopeful past.

Susanna Rustin

Musical enigma

CANONE INVERSO

by Paolo Maurensig
translated by Jenny McPhee
Phoenix House £2.99, 202 pages

Canone inverso is a musical term that denotes the repetition of a melody played in reverse order, and Paolo Maurensig's second novel uses this device in the construction of his suspenseful mystery story. Maurensig has been hailed by Italian critics as the heir to Primo Levi, but his use of literary tricks recalls Levi's contemporary, Gesualdo Bufalino, the "Sicilian sorcerer". Bufalino likened his last novel to a serpent eating its own tail, which equally well describes Maurensig's intriguing exercise in form.

He plunges us straight into the hotel room of our nameless narrator, who is admiring an antique violin he has just bought. A stranger knocks on his door desperate to buy the violin from him, and proceeds to tell him why. He is a writer whose chance encounter with a strolling musician in an Austrian tavern has led to a frantic attempt to authenticate this slippery character's incredible yarn.

In Maurensig's multi-levelled narration, Jenő Varga's compelling story, delivered over jugs of foaming beer, details the joy and despair of a gifted violinist — the delight in savouring a new score, the rigorous discipline of technique.


Jenny McPhee's translation admirably reproduces

the old-fashioned formality and the twists and turns of Maurensig's elegant, discursive prose. Each narrator engages in philosophical debates with his interlocutor, but always in the service of the plot. Maurensig is constantly hinting at his novel's dénouement (which does, in fact, lead us back to the beginning), and his own artistic project. But, unlike the hapless Varga, he does not allow himself to be caught in a sterile quest for technical excellence.

Varga's account of his poor country boyhood adds further meat to this metaphysical detective story. Maurensig takes us into the chilling environment of a prestigious music academy where pupils are treated like prisoners and punished for improvisational flair. When a fellow protégé invites Varga to his remote family seat, a beautifully contrived Gothic horror ensues: evocative descriptions of the ancient castle, where heated debates on ancestry and immortality take place over dinner.

But it is Varga who achieves immortality, not through his genius but through his story, faithfully re-told by "the writer". He in turn tells his attentive listener (still in his hotel room, and still with his own story to tell) of Varga's dramatic midnight exit that causes a passerby to turn and stare. Is this ephemeral figure "the last of the night walkers or the first of the early birds"? asks the writer. As with the enigma that is central to his novel, Maurensig leaves it to the reader to guess.

Lilian Pizzichini



Murder in the name of God

The Plot to Kill Yitzhak Rabin
by Michael Kaplan and Ida Friedman

Published by Granta rrp £13.99. FT Price £9.99 free UK p&p

"A painstaking and detailed account of the conspiracy to murder the man who was Israel's best hope of achieving peace... the motives for the murder are laid out in shocking detail."
Isabel Hilton, *The Financial Times*

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FINANCIAL TIMES
No FT, no comment.

Assertive poet bangs his own tin drum

GUNTHER GRASS:
Selected Poems 1956-1993
translated by Michael Hamburger
Faber £9.99, 155 pages

Though best known as a novelist, Günter Grass has always written poetry which, like his fiction, is essentially continental and un-English. Reading him one discovers a resemblance to a whole host of poets writing in the aftermath of Dada and Surrealism, poets such as Zbigniew Herbert or Vasko Popa whose work is shot through with a grim irony missing in the softer, politer English. Grass joins to this irony a more aggressive personality. He is a sometimes genial, extravagant and physically assertive poet, one who bangs his tin drum vigorously, who wants to paraphrase his poem, to see violence on the art page.

The new bilingual *Selected Poems*, the revised and expanded version of a book first published in the 1960s, has been overseen by the translator in association with Christopher Reid, Faber's departing poetry editor. Reid has always been interested in waking us up, in his list as well as in his own poetry; hence his interest in the work of Grass, in the presence of whose

verse it would be difficult to sleep. Grass too wants us awake; his poetry is a sustained attack on the bourgeois habits of mind that attempt to make bland the existence he savours.

Grass's poetry is an onslaught on the life-deniers. It starts off by being humorously preposterous; "Prevention of Cruelty to Animals" puts the piano into the zoo and the zebra in the living-room: *Be kind to it! It comes from Beckstein.* Equally engaging is the poem whose protagonists live "In the Egg", a hermetically sealed universe of comic bafflement: *We assume that we're being hatched! ... and write school essays! about the colour and breed of the hen that is hatching us.*

Poems like this justify Grass in his claim to be "the court fool in the absence of courts". Other poems are more threatening. In one, a giant "rubblewoman" haunts the human city, menacing the work of the "pampered architects". It is the poet's job to help her, but it is clearly not an easy one. There is a malicious delight born of frustration in the thought that: *an inextinguishable hand/ noon after noon mixes by spoonfuls dead mortar into the architects' soup.* Indeed frustration is the keynote of the later poems. To be a writer, it seems, you must *live next to the garbage disposal unit and distinguish between a stench and a smell.*

Such working conditions do not

make for joy. Even when the poet is making brown (or, as the translator curiously puts it, "jellied pig's head"), a level teaspoonful of rage turns out to be the essential ingredient.

Rage is certainly to the fore in the 13 sonnets of *Novemberland*, the latest work in the book. First published in 1993, they depict a Germany fallen into an autumn of the soul, *all burned off, burned out, with little last thrown in.* Re-unification here has not brought wholeness; it means, rather, a turning-in on the self, an insularity ominously suggestive of the past: *now as a fortress Novemberland seeks to be safe from Black, Fellah, Jew, Turk, Roman.*

Bile predominates. Michael Hamburger works hard to get the tightness of the original by preserving its (uncharacteristic) rhyme and deploying a suitably sweated-out diction, but the result is uneven, often awkward and obscuring. And I'm not sure that in civic matters Grass couldn't learn something from the discipline and ethical rigour of an English poet — Geoffrey Hill in the poems of *Canaan*. Grass's volume summarises an oeuvre of some distinction, but about its closing pages there hangs an air of self-debating weariness, the sound of a voice which has worn itself hoarse with shouting.

Martin Dodsworth

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BOOKS

Bloody patriotism

An 'amalgam of patriotism, bigotry, community spirit, hate, intelligence and courage': John Lloyd on sectarianism, violence, and hope for the future in Northern Ireland

LOYALISTS

by Peter Taylor
Bloomsbury £16.99, 278 pages

"The emotion of nationalism is intense," wrote the unionist historian A. T. Q. Stewart in *The Narrow Ground*, "and when it is co-incident with religion, and admiration for a particular culture, it is unshakable."

Peter Taylor's work, in some three decades of using the Northern Irish combat as the content of his TV documentaries, has been often, and latterly entirely, about what happens when this "unshakable" emotion tips over into the commitment to violence in its cause. *Loyalists*, a book written from the research done to film his current BBC2 series, is the companion piece to *Provos*, screened and published last year.

This is not a book about Unionists, though *Loyalists* are Unionists by definition. Taylor is moving among those Unionists who become paramilitaries, who took upon themselves the mission of defending the unionist or Protestant communities from Irish republicanism - usually, though not always, the violent republicanism of the Provisional IRA.

"Moving among" is the right description: this is the book of a man with a great deal of street knowledge. Taylor's long sojourns in Northern Ireland, his presence at crucial occasions, his interviews over the years with emerging, established and former leaders and activists mean that the jigsaw of events, the alphabet soup of organisational acronyms (UDA, UVF, UFF, PUP, UFF, UDP), the seemingly inexplicable lurches in and out of violence have been given a pattern in his mind before the documentary series required one to be imposed. Taylor is among the most impressive of the many impressive reporters the 30 years of "troubles" have produced: *Loyalists* is a very good book, because it is a very good and bold piece of reporting. It is not easy to ask murderers why they murdered, or bring them back to the fact of murder when they are trying to rationalise or evade it, and it takes qualities other than experience to do it.

The nature of the book dictates that it is something of a rogues' gallery, one with different rooms for rogues of fundamentally different types. The most hideous are the psychopathic killers: foremost among these was Lenny Murphy, burdened (as he saw it) with a "Catholic" surname, who became a leader of the justly named Shankill Butchers and who took pleasure in all but severing his victims' heads from their bodies. Writing of Murphy elsewhere, the Irish author Concor Cruise

O'Brien, addressing the problem of why psychopaths appeared more often on the loyalist than on the republican side, said that "the IRA is much more interested in its public image than the Protestant paramilitaries have been in theirs. It has been better able to control them, because of its tighter discipline."

This is borne out in Taylor's book, though the chronicle, which covers almost 40 years to the present, post-Good Friday Agreement period, shows that the Loyalists' ramshackle command, the tendency for its activists to dissolve into little local crime mafias, and their angry refusal to justify themselves other than by the claim that they were defending their state and community have all undergone a revolution in the 1990s. At first, however - when they step out on Taylor's stage in the early 1960s - they are mainly Protestant bigots who see IRA threats everywhere in spite of the failure of a

It is not easy to ask murderers why they murdered, or bring them back to the fact of murder when they are trying to rationalise or evade it

half-cock campaign in the late 1950s, and who attack men rumoured to be in or close to the IRA, or who are simply Catholics, or at least to be found in the Catholic parts of cities.

The large figure in these early days, and the Big Man still, is Ian Paisley, founder of the Free Presbyterian Church, founder of the Democratic Unionist Party, MP, MEP and now member of the Northern Ireland Assembly. Taylor insists that if he was not directly complicit in the arming and organising of some of the early paramilitaries, his close associates were, and his rhetoric was believed by his many followers to give moral cover to loyalist terror. Billy Giles, a volunteer for the Ulster Volunteer Force in the mid-1970s, says of Paisley that "he was preaching about the situation as if it was the gospel or a biblical text and, because of our upbringing, we were a ready audience. On reflection, now, I realise he was full of hate."

But he was also full, it seemed, of God, and full of admiration for his version of the Ulster Protestant culture - a culture which has much to admire in it, if not always what Ian Paisley thinks there is. He was also full of guile: for while he threatened war, rationalised violence, insisted on the diabolic nature of Catholics' faith and routinely insulted their hierarchy, he was like Eliot's Macavity - not there,

when hot words turned to cold blood. Taylor's memory excuses Paisley's speech to a rally of the "Third Force" of loyalist volunteers, in 1981: "Here are men willing to do the job of exterminating the IRA. Recruit them under the Crown and they will do it. If you refuse, we will have no other decision to make but to do it ourselves." Later, Paisley was to deny it was anything other than a call for the restoration of the police auxiliaries, the "B" Specials, a wholly disingenuous explanation of a speech made to vengeful men whose state was under attack and who were for the most part members of armed, illegal paramilitary gangs.

Paisley, Taylor's narrative reminds us, came to prominence when he rang the warning bell on Sir Terence O'Neill's holding but sincere efforts at a rapprochement with the Republic, then under the premiership of Sean Lemass. O'Neill, a unionist politician, was ill equipped to deal with the populist fury the young Ian Paisley unleashed on him, like all unionist leaders since - till now, when David Trimble, the Ulster Unionist Party leader and First Minister of Northern Ireland, must face Paisley, a roaring Cassandra of United Ireland by stealth even yet, and battle with him for the soul of a unionist people who want peace and dislike republican coercion in roughly equal measure.

Where the book claims hope, it is in the transformation of a group of the loyalist militants, most of them former killers or would-be killers, who, under the tutelage of the extraordinary Gusty Spence in the Long Kesh jail, decided to remain within the loyalist camp but to eschew the gun for politics. David Ervine, Gary McMichael, John White, Billy Hutchinson and others chose, from the late 1980s, a path out of violence in dialogue with their bitterest and closest enemies, the IRA and its political wing, Sinn Féin. Ervine, in particular - now himself an Assembly member - has staked his Progressive Unionist Party's future on the Good Friday Agreement and on a belief that the IRA is capable of turning from murder to democracy while still keeping most of its supporters with it. Their efforts and analysis gave the Good Friday agreement much of its content, and supply it still with much of the wobbly hope for its success.

That success is the fundamental gamble of the present time. I wished, as I finished this book, that Taylor used his years in the province and insights into its politics and its battles to give a larger analysis of loyalist beliefs; of the amalgam of patriotism, bigotry, community spirit, hate, intelligence and courage which is so evident in Belfast's Shankill Road, in Londonderry's Waterside, in the ultra-loyalist town of Portadown and in the other strongholds of



The emotion of nationalism: full loyalist regalia on display at an Orange march

Loyalism whose boundaries are marked with the Red Hand of Ulster and the Union Flag painted on the walls. I wished he had said more about the nature of what Stewart called "the emotion of nationalism" and about the

religion with which it is fused and the patriotism which justifies it. But in doing so, he would have given us less of the engrossing detail and less of the narrative - one that is hideous, savage, yet in the end perhaps ennobling.

To order a copy of *Loyalists* at the special price of £14.99 (UK p&p is free) please call the FT Bookshop on +44 (0)181 324 5511. *Loyalists*, the second of a three-part series, is on BBC2 tomorrow at 8pm.

After the cold war, the hot money

Galen Strawson on John Le Carré's latest mystery

SINGLE & SINGLE

by John Le Carré
Hodder & Stoughton £16.99, 336 pages

Human blood is a commodity, as the United States Federal Trade Commission pointed out in 1988. In its view stands as the epigraph to *Single & Single*, John Le Carré's 17th work of fiction, which is set in the first half of the present decade, and concerned with the actions - and their consequences - of the heroic investment house of Single.

Single's is reaching east to back the fortunes that are to be made from the oil, scrap iron, and - why not? - the blood of the increasingly perestroika USSR (the sales pitch in the US points out that the blood is "white Caucasian"). Its record seems immaculate. It is (somewhat implausibly) beloved of the financial press. It is "the Knight Errant of Gorbachev's New East" - *Financial Times* - "boldly going where lesser houses dither", with Tiger Single as its founder and head (guilt by Hayward, shoes by Lobb, haircuts by Trump, shirts by Turnbull & Asser).

Ollie - long-backed, great-armed, "as big as an Alp", with a pale pudgy face, spongy hands and "rich black locks" - is the other Single of the title, a shambling barrister, and too honest. He has recently been taken on by his father Tiger, and is uneasily engaged in facilitating the \$50m in commission (bribes) required by the Orlovs - the Lord High Fixers of the Soviet Union - to close a series of dollar-denominated deals. By August 1991 the thing is almost done; the bribe money is in the right pocket, Single's - funnelweb financial consultants, venture capitalists, Curzon Street laundries of ever dirtier money - are about to take profits.

On August 18, very large hic-cough. Fall of Gorbachev, collapse of Soviet Union, collapse of Orlovs, collapse of deal. Single's wobbles. The Orlovs restructure, moving into hard drugs and a

\$20m mansion, and speeding Single's recovery. Ollie doesn't know about the drugs. When he finds out he is dismayed, and struggles mightily *in foro interno*. In the end he contacts the UK authorities and agrees to work as an informant in the firm of his father, whom he loves.

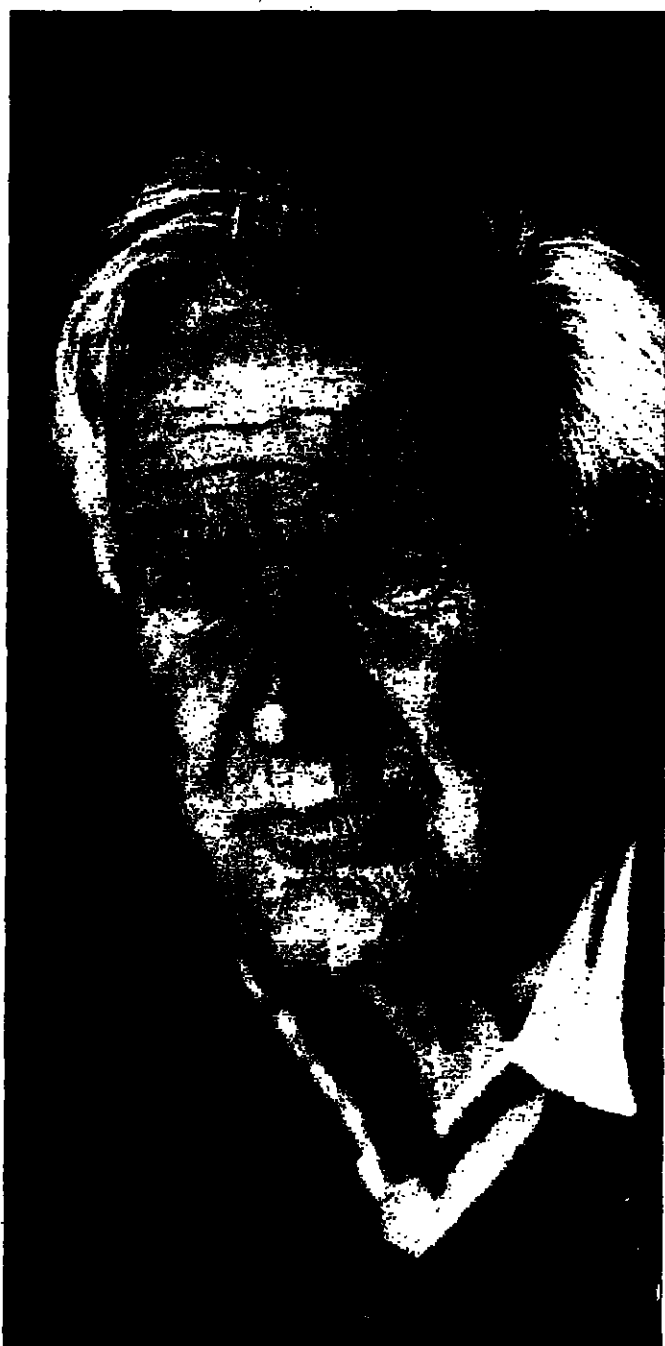
For a time he carries out this work, then chooses to disappear, taking up a new identity as a children's party magician. For a few years he subsists in anxious anonymity, marries, has a daughter, divorces. Then a Single's lawyer (a "penis-driven" man) is found murdered in Turkey, and Ollie is traced, down on the south Devon coast.

This conjunction of events, nicely prepared, triggers Le Carré's main story. It works like a slow-release pill - it does not depend on tension in the fictional present. The spring of the narrative is in the uncovering of past facts, and in the synecopation - the timing and distribution - of knowledge and ignorance across the various characters.

This is well done, and yet the book has an oddly ungrounded quality. It fails to convey a clear sense of a reality extending beyond its own sequence of words. The main fault lies in the people, who feel as if they have been cobbled from kits and inserted into story in a plot that is itself the result of the application of a formula.

The finish on the book is good, if faintly vulgar, and it is cleverly constructed - like a peopled town clock. But it has a stock-item tone, and offers a class-riddled, brand-named vision of England. The characters' imaginations are uncomfortably subject to the pictorial grammar of advertising, and Le Carré relies too heavily on memory flashbacks as a way of introducing needed information.

He has some very good phrases and observations. Dr Conrad, a craven Swiss lawyer, is a pleasing invention. Nat Brock, the customs officer, is a decent sort. But most of the characters run far too close to caricature: the bearish emotional spontaneous



Formidable John Le Carré

hugging pantomime Russian mafioso: the Honourable drawing multi-lingual brilliant ex-Foreign Service homosexual; the unselfish efficient young woman operative, an absolute brick, soon to be in love with Ollie; the hard-bodied amoral traitorous killer bagman; the ex-beautiful alcoholic county mummy who hates everything that isn't "gummy and more-ish and sunny".

Some novelists' characters are

immediately present. Le Carré's, in this book, won't respond. This is particularly remarkable in the case of Ollie, who manages to remain physically absent and unrealised although he is clearly described. In this he is representative of the book as a whole. *Single & Single* is accomplished but unalive.

Single & Single, read by John Le Carré, is available on Hodder Headline Audiobooks at £14.99.

Educational highlands that can lead to emotional lowlands

Candia McWilliam feels a close affinity with a talented Scot's first novel

OUR FATHERS

by Andrew O'Hagan
Faber £16.99, 282 pages

Andrew O'Hagan's first, non-fiction, book, *The Missing*, was preminent among the meditations on violent crime that have been published in these last years. It exceeded its uneasy companions by the care with which it was written and the intimacy and experience from which it had grown; it was devoid of the sickly cast of prurience and/or self-revelation that tainted some other squints at what makes one child kill another, one man train his wife to destroy their children, and the prevailing nightmares that come to light for us and will not be off.

Now this highly intelligent young writer has turned to fiction. The result is fascinating; it is also fractured. Yet the fracture itself is of consuming interest, as though it might be a metaphor for the awful schisms that fill the book and the family at its heart, the Bawns, Scots Catholics, deeply committed Socialists, or in some cases Communists, believers in progress, education and the light, who are yet tugged back into the beautiful and ugly darknesses and fugues of their country, which is Scotland.

Andrew O'Hagan is perfectly capable of having written, consciously, a book that stands as a cracked artefact in order to show up the pervasive divisions with which his characters have grown up.

And the nation, too. It is a literary-critical cliché that Scotland is a place of doubles, at the bar, at the Bar, and in our (for I must declare that I am a Scot) souls, that are being fought over by good and evil all our living days. Scotland is not the one place, dedicated to tartan southerns and the profitable spotting of trains and tracks, as the current fashion for Cool Caledonia might suggest. It is an archipelago of voices, commitments and loyalties,

loosely united by sentiment, tightly united by the - physical - passion for place and history, and the miracle of human thought and talk. It is a country that cannot be best served by its clichés and comforting animosities of religion, class or coast.

There is a cement available between all these, and Andrew O'Hagan has the daring, in this novel, to suggest it. He offers no panacea, no false comfort, but he does, with considerable style, offer the sublime yet human glimpse of hope through love, loyalty, intelligence, time, faith, and - in a lightning-flash of insight - the awareness that the

The Bawns, Scots Catholic, believers in education and the light, are tugged back into the beautiful and ugly darknesses of their country, Scotland

truth can fluctuate, that its greatest refinement is its individual manifestation, long before angled words and the other structures of society. Our "hero" is Jamie Bawn. He has been raised between the Borders and Ayr. His father is awash with the drink. His grandparents raise and adopt him. His grandfather believes in the rehousing in tower blocks of the residents of the Gorbals. He is "Mr Housing". The generational tensions of education distort, divide, inspire and ruin the family; the aspiration of worker parents for thinker children, and the chafing thereby generated, I found almost too painful to read.

Indeed, the whole book held for me two central resonances, both considerable. It works as a fiction about ideology and personality, nation and front room, rhetoric and silence. But it exerted upon me a shocking

telepathic power. As a rule I review as though I am not there; but there I was, a contemporary of Jamie, admittedly middle-class, but set by various necessities upon academic fulfilment, as he is, and living, as does he, in a home preoccupied by Socialism and the Utopian redesign of the Gorbals. Repeatedly, the echoes came from the author's mind, the same poets and poems. How remarkable it was to be raised in a country with an aristocracy of words. The cruder words, the old, reviled performers of Clearance, fall away in the face of our literature.

This subtle novel rewards many kinds of reader. If you read for plot, read it for its quarrels, conflicts, and reconciliations. If you read for ideological reasons, you may begin to apprehend tolerance. If you are what is offensively termed a "literary" reader, take it up for its continual attention to the actions of words.

I have scarcely read so silvery beautiful a style when it comes to the Scots landscape, nor one so tender about matters of life and death.

Nonetheless, I feel that Andrew O'Hagan must in his next novel free himself from his great benefit, an educated ear. When he does that, or when he ascribes only to appropriate characters this ravishing way with adjective and noun, he will come into his own entirely. Meanwhile, he is the author of a book worthy of comparison with William McIlvanney's *The Kiln*, the contemporary Scots novel that eclipses *Transposing* as a malt does a jorum of British blend wines.

The curious literary strengths of this novel pull away from one another. It reveals the great worthiness of our taciturn men and hardworking women. It also declares the benefits of education, and their often sad conclusion: a familial gulf.

There are, throughout the book, inset delicate repetitions, like refrains. Each is to do with pressure and time (the subjects comprehended by physics). What else is there?

ARTS

The culture of strangers

Ralph Rugoff explains how Sophie Calle plays on our own paranoia to produce her voyeuristic art

It is hard to think of many contemporary artists whom Sigmund Freud would have welcomed into his cosy Hampstead museum, but Sophie Calle would have to top the list. The 45-year-old French artist has made a career out of documenting her compulsive rituals, obsessive behaviour, and a penchant for acting out fantasies most of us prefer to keep private. Composed from photos, objects and brief texts, her art often suggests extracts from a quirky case history. But whether chronicling eroticised childhood memories or an adult sex life in which fact and fiction merge, Calle reveals more about the wayward workings of desire than almost any artist – or analyst – of her generation.

With *Appointment*, an exhibition currently hosted by the Freud Museum and curated by James Putnam, she intermingles

Drawing on the surreal melodrama of her life, Calle implies that memory, imagination and desire are hopelessly entangled

her autobiographical art works with Freud's own collection of antiquities and the museum's odd assortment of Freudian relics, among them his writing desk and that most holy psychoanalytic icon of all, the couch on which his patients once revealed their deepest secrets. But unlike the studied sobriety of the museum's displays, Calle's works strike a feverishly sexy note: printed on hot-pink cards, her concise caption-like narratives tell of stolen love letters, shoplifted red shoes, and her wedding in a drive-through chapel in Las Vegas.

As always with Calle, mundane objects and photographs are presented in a deadpan fashion at odds with the juicy texts accompanying them. Beside a dusty dull-blond wig, a wall label recounts how, as a six-year-old living with her grandparents, a daily ritual "obliged" Calle to undress completely in the elevator on her way up to the sixth floor. On arriving she would dash naked down the corridor, rush into the apartment and jump into bed. Twenty years later she found herself repeating the same ceremony every night on the stage of a Pigalle strip joint, wearing a blond wig "in case her grandparents, who lived in the neighbourhood, should happen to pass by".

It's a wonderfully unnerving tale, conflating images of innocence, sexuality, family and voyeurism. Not unlike the father of psychoanalysis, Calle is first and foremost a storyteller. While her art draws on the often-surreal melodrama of her life, it also frequently leaves us wondering if we are being told more, or less,

than the truth. Vaguely suspicious details lurk in her most matter-of-fact accounts, yet at the same time her vignettes – however uncanny – never seem implausible.

Besides adding an air of uncertainty, Calle's intervention at the Freud Museum injects an aggressive feminine touch into the master's masculine preserve. A wedding dress is strewn across the analyst's couch, evoking a ghostly patient or the symbolic remains of a cast-off fantasy. Another piece, which reads like a parody of Freud's theory of female penis envy, begins: "In my fantasies, I am a man. Greg was quick to notice this. Perhaps that's why he invited me one day to play for him..." Elsewhere, a text describes how, after watching a poorly-dressed lecturer, she was moved to send him articles of clothing for a number of years, anonymously, finding an erotic thrill in secretly dressing him from head to toe.

Above all, Calle's exhibits conjure a museum of sentiment. The illicit fantasies and edgy encounters she records evoke reasons of the heart of which reason knows nought. Where Freud believed that analysis could illuminate the darkest regions of the psyche, Calle implies that self-discovery, however laudable a goal, amounts to little more than self-deception. In the stories we tell about ourselves, memory, imagination and desire are hopelessly entangled.

Calle's interest in the fictive aspects of identity gets a full-blown work-out in her concurrent show at Camden Arts Centre, *Titled Double Game*. It is an unusual collaboration with New York novelist Paul Auster, whose 1992 novel *Leviathan* included a character named Maria who was partly based on Calle. Auster mentions several of Calle's early works when describing Maria's oeuvre, and adds a few of his own. Intrigued by her double, Calle decided to turn the novel into a game, producing an exhibition in which her own identity would merge with her fictional counterpart's.

Double Game begins with Calle's fully-realised versions of Maria's "original" art works (those Auster invented himself). One involves eating foods of the same colour at every meal; another living each day under the influence of a specific letter (among others, Calle chooses B, posing in a photographic self-portrait as a "Big-time Blond Bimbo" with Bardot-esque aspirations). Both pieces fall flat; though executed in Calle's standard photo and text format, they lack the psychological twists and risks that enliven her art. What ever his virtues as a novelist, Auster is a dull artist-by-proxy.

After completing Maria's oeuvre, Calle asked the writer to create a fiction specifically for her, which she would then act out in her real life. Worried that she might do something reckless, Auster refused to comply and instead gave Calle a list of instructions for improving life in New York City – a list so innocu-



Striptease: Sophie Calle's work often strikes a feverishly sexy note

ous (it included smiling at people and handing out sandwiches) that Calle suspected it was based on a community service order. The final section of *Double Game* humorously documents Calle's dogged efforts to fulfil Auster's agenda, and includes the surprised responses of New Yorkers to a phone box which she decorated and furnished.

None of this, however, makes for riveting art. The only successful part of *Double Game* is a middle section featuring the art by Calle which is described in Auster's novel (a copy of which is placed beside each work, with the relevant passage circled in red ink).

Many of these works are based around her stalking of strangers. In "Suite vénitienne", for instance, she decides to follow a

man on the street and tails him all the way to Venice, jotting down her observation in a diary which inevitably reveals more about her than her subject. "The Hotel", made when she worked as a chambermaid, includes photographs of the personal belongings of unsuspecting guests. Playing with paranoia from another angle, she hired an unknown detective to follow her around Paris for a day, and his surveillance photos and bland commentary (which concludes with an unexpected lie) are juxtaposed with her erotic musings about being watched.

Her most invasive work, 1983's "The Address Book", still seems shocking. Finding an address book in the street, Calle anonymously returned it by mail, but only after photocopying its

contents. As if gathering evidence on a suspect, she then called every number in the book and asked the owner's friends to describe him. Portions of these interviews, many of which dealt with intimate details, were then published every day for a month in *Liberation*. (Though the subject's name had been changed, he recognised himself and threatened to sue; in the end he exacted revenge by obtaining a nude photograph of Calle, which the newspaper published.)

Works such as these mix art and life with a troubling amorality. But the provocation is not without a point: Calle's voyeuristic adventures address the fears and longings that colour our culture of strangers. They speak to our wish to overcome our separation from one another, as well as

our wish to protect ourselves. They probe our irresistible impulse to make up stories about the unknown men and women around us. And Calle's art ultimately insists that, despite all our self-scrutiny, we remain strangers to ourselves, largely unaware of the degree to which we fictionalise our lives.

We are all greater artists than we suspect, yet we still desire truthful connections with each other. It is in the tension between these polar tendencies that Calle's art comes to life.

"Appointment", The Freud Museum, Maresfield Gardens, London NW3 (0171 435 2002) Wed-Sun 12-5. "Double Game", Camden Arts Centre, Arkwright Road, London NW3 (0171 435 2643) Fri-Sun 11-5.30.

TELEVISION CHRISTOPHER DUNKLEY

Spaghetti western tactics reach Shanghai police

Regardless of the old cliché about providing a "window on the world", television is actually a pretty poor source of information about what life is like around the globe, except when there is a war, a famine or some other disaster providing dramatic pictures. However, tomorrow Channel 4 begins a seven-part series called *Shanghai Vice*, which pretty well demands that we sample it because it was produced, directed and shot by Full Agland.

It takes Agland several years to create each of his series; but, so far, they have been well worth waiting for. His most famous production was *Baka: People Of The Rainforest*, a vivid chronicle of the lives of the pygmies of Cameroon. That was followed by *Beyond The Clouds*, which gave a fascinating account of life in a remote province of China.

For his new series Agland went back to China, but this time to the metropolis of Shanghai, as the world's most populous country crashed through the begin-

nings of a social and economic revolution. At the centre of *Shanghai Vice* is the Criminal Intelligence Unit which seems, like London's old Flying Squad, to be an elite unit within a larger organisation. Like so many other police forces, this one is waging a war against drugs, particularly heroin, and Agland appears to have achieved a remarkable degree of access to their activities. Tomorrow's opening programme starts with his camera watching over the shoulders of concealed police observers as their colleagues chase and arrest a suspect in the street.

There is something odd about this scene. Not only does it look weirdly familiar, but also contrived, almost as though it has been staged: the suspect rushes off across the road and then con-

veniently trips over nothing, enabling the police to nab him. It seems at first quite unbelievable. But then matters proceed in much the same manner: once the police have suspects at the station they casually put guns to their heads and say "Give me the names of your suppliers or I'll blow your brains out".

'Give me the names of your suppliers or I'll blow your brains out'

names of your suppliers or I'll blow your brains out."

It looks unreal. You soon realise that the oddness comes from the contrast with all those previous documentaries about British police questioning sessions which

involve tape recorders and lawyers.

The Shanghai police look as though they have taken their techniques straight from the cinema, from a combination of spaghetti westerns and Hong Kong thrillers. After a while you begin to wonder whether this is, indeed, quite literally what they have done. They arrest a small-time drug dealer named Ding, having previously arrested his wife, and use the lure of her release to blackmail him into revealing the names of other dealers and bigger suppliers up the line. Then, in next week's programme, they make him arrange to buy at least a kilo of heroin from his Moslem supplier so that they can entrap and arrest Mr Big. At no stage does anybody seem to consider the

possibility that Agland's pictures could be Ding's death certificate.

All this police activity is intercut with sequences about a 64-year-old landlady (she looks 34) who cannot decide whether to get married, and from an opera school where they are rehearsing a traditional Chinese opera. Occasionally we also get some of those seemingly casual, and yet breathtaking, bits of scenic film which give Agland's programmes a visual quality so often lacking in other documentaries. This time, however, it does not add up to the seamless whole: it looks like a police anti-drugs series to which other odds and ends have been added as garnish.

Perhaps that will change after we have seen all seven parts, though it seems unlikely at this stage, and that is a pity because

the few bits of evidence that come our way suggest that what is now happening in China is deeply significant to the future of the world. So far television has not done a good job of documenting that. The record on post-Soviet Russia is a little better, though scare stories about the new mafia have predominated at the cost of almost everything else. The episode of *Trouble At The Top* this coming Wednesday on BBC2 goes a small way towards righting this by showing the tribulations experienced by Condé Nast in launching a Russian edition of *Vogue*. Its first edition hit the newsstands in the very week that the rouble was devalued and the Russian economy went into meltdown.

No doubt there are easier programmes to make than social documentaries in present-day Russia and China, but if programme makers want us to go on believing that they are the ones to offer us a window on the world, they need to get cracking.

RADIO MARTIN HOYLE

From the bottom line

Much cross-fertilisation is taking place between radio and television, inevitable with so much fertiliser lying around in our media. Last week it took radio to remind us of Channel 4's "Buttocks Week", its highlights including a visit to the Tate's "marmite buttocks" exhibition and the showing of *The Buttocks Of An Undertaker* with its stylised take on a blind bisexual's reactions to Prague, thus confirming a certain P. Grouse's position among British film-makers today.

All this in a magazine form that also included financial news (200m spent on cross-country business (the proportion of 19 to 34-year-olds becoming stand-up comics), arts (the alternative bird-table exhibition at the Conway Hall challenges concepts of the man/bird relationship), lifestyle (the pencil is making a comeback), lifestyle ("An Airing Cupboard of My Own"), lifestyle ("Praise to the Lord" – a case for the much-maligned kitchen staple), lifestyle...

Radio's *The Sunday Format* is a wickedly plausible lampoon of Cool Britannia's mind-numbing passion for the trivia and trappings of supplement-glossy *Islingtonia Britannica* where all its style and little life. It made the ensuing *Home Truths* trailer from a more than usually ingenuously John Peel about "two evacuees who played together as children in Bude talking to one another for the first time in weeks" sound too boring for truth, too unfunny for spoof. It comes from the same stable as *People Like Us*, the wonderfully charted adventures of Roy Maltard – a predecessor, he it is remembered, of the equally bird-named Alan Partridge in *Inspired* media journalism – and promises as much joy.

As with all good satire, the bitter kernel of truth comes through: these are the preoccupations of a Britain where cabinet ministers turn out in force for awards in that field devoted to packaging, promo and hype for the adolescent market, pop music, but who are terrified of showing an interest in the high arts.

Not that the British deserve their culture. *The Archive Hour*, often a treasure-trove of rediscovery and reassessment, turned into a shallow show-biz compilation of slices of sound-track and silvers of thespians thesping. The subject was Charles Dickens and the British public's love affair with his works. The content was water-thin. Even Fiona Shaw's recent kaleidoscope, in the same slot, of Shakespearean actresses, all of whom, no matter the diversity of their approach, prompted enthusiasm, hinted at greater depths when the presenter noted, with tartly suggested abrasiveness the faint South African intonation and "desperation" of her distinguished colleague Janet Suzman.

The most intriguing moment in *The Archive Hour*: Charles Dickens came with a clip from *Oliver Twist* with Alec Guinness as Fagin and a child actor identified as John Howard Lawson. If the name sounds familiar, continued the presenter brightly, it's because he became one of the most successful BBC light entertainment executives ever, numbering *Monty Python* amongst his regime's numerous triumphs. And if it doesn't, he might well have continued, it's because his name was John Howard Davies. While sadly unsurprised that a presenter should get an easily verifiable name wrong, I am staggered that nobody at the BBC caught on.

Not for the first time I wonder if anyone is actually minding the shop while the big boys play with their schedules. Did the continuity announcer really refer to the "American President Hindenburg" when trailing a programme on post-Grand War Germany? My ears may have deceived me but they accurately registered the identification of Jane Austen's *Lady Susan* as "Lady Jane". Speaking of whom, the male continuity announcer had the grace to hesitate when introducing *Dona Flor* and her *Two Husbands*, that vibrant slice of Brazilian life and unmistakably Latin American, as resembling the work of a "South African Jane Austen". His not to reason why, his but to read and die.

The John Davies Gallery
Stow-on-the-Wold GL54 1BB

"IN OPEN COUNTRY"
An Exhibition on Equestrian and Rural Themes

Kate Denton, Kathleen Friedberg,
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ARTS

That fatal abstraction

The time is ripe to reconsider modern painting as painting, writes William Packer

This spring has turned out to be an exceptional season in the galleries, especially through the arrival in Europe of three of last autumn's more important exhibitions in America - the Late Monet from Boston to the Royal Academy; the Jackson Pollock from the Museum of Modern Art, New York, to the Tate; and the Mark Rothko from the Whitney to the Musée d'Art Moderne in Paris. As a kind of coda, an intriguing show

There is more to the work of these artists than the mere striking of attitudes. At least they meant it

of recent paintings by Terry Winters, an American Abstract Expressionist of a later New York generation, but who is comparatively unknown in Europe, has just opened at the Whitechapel. We are unlikely to have a better opportunity to reconsider modern painting purely as painting, and Abstract Expressionism in particular, through the best examples of the kind.

What goes around, comes around, they say. Painting was never dead, nor even remotely moribund, for all the apparent rush to write its obituary, and a long lifetime on from Monet's "Nymphs", the young Kandinsky's improvisations upon landscape, Mondrian's first exploratory structural reductions and Malevich's radical Minimalism, abstract painting in all its manifestations is going as strong as ever. It is just that no one has been taking much notice lately, what with the current obsession with youth and the play-school "creativity" of conceptual installation-sculpture therapy.

But look again, and it can hardly escape our notice that the more significant

recent shows, American or European, abstract or figurative, have been of the work of more senior generations. It might just begin to dawn on us that an artist's career may go beyond mere early promise to embrace a lifetime's work. And life goes on.

Such shows as these are salutary: in confronting us with painting as it is, and for what it is, they provide a much-needed corrective to the current orthodoxy that the idea of a work of art, the concept, is all that matters. It is not that there are no ideas to consider in relation to them (if nothing more than the solipsistic consideration of painting as painting) but the contrary proposition is more dangerous in its relativism - for if the idea, the message, is all, then the manner, the quality, the nature of the statement, the form it is given, is of no account. All things, and all artists with them, are equal, it would seem to say, and a Rubens Crucifixion no better and no worse than one by Bologes. We live in an age of Art as Proposition, Art as Diagram, and the irony of Duchamp, his true legacy, is too readily forgotten.

Monet, by the sheer scale of his ambition, the profundity of his interests, his struggles with age and failing sight, his triumphs and his failures, takes us to the very heart of the artist's engagement with the experience of the real and visible world, and his attempt to make it no less real in the metaphor of paint. Pollock, in his drunken, oafish, womanising desperation and bouts of frenzied action, climbs back from the abyss into the world he has thrown himself (not to say that he does not then throw himself in again; dreadful it may be, but it is heroism of a sort). He may have been an awful man, but the struggle was real. So too with Rothko, who was persuaded to paint himself into the corner of repetitive marketable suc-



'Entrance to Subway (Subway Scene)' 1938 by Mark Rothko, currently in the Paris exhibition. It was not until the 1978 New York retrospective that the full importance of this early work was acknowledged.

cess, and all but painted himself out of it again before he committed suicide. There is more to the life and work of these people than the mere striking of right-thinking socio-political attitudes, the making of right-on gestures and the addressing of "issues" that passes nowadays for art. They at least meant it.

I remember the first time I ever saw Rothko's paintings in the flesh, in a show of medium-sized canvases at the old New London Gallery in Bond Street early in 1964. The experience was like going to church, subdued, reverential, finding these all-but-disembodied surfaces, with their floating fields of colour laid on a unifying ground, at once ethereal and so delicately physical, shimmering on the wall. Those

were the days when the earlier work - through which, by about 1949, he had arrived at the simple formula of his mature and saleable imagery, the horizontal bands and broad rectangles of pure colour laid gently one above the other - was almost entirely suppressed. It was not until 1978, with the Guggenheim retrospective in New York, that the full importance and beauty of this early work was generally acknowledged.

The show in Paris properly marks this transition from a full if stylised figuration to the full abstraction, which makes consistent sense with the frontal presentation of the image and the eternal preoccupation with the horizontal. And from first to last the physical presence of the work is constantly affirmed,

alike in the feathered touch of the brush and the staining, saturated colour.

If I have a problem now with Rothko, it is indeed that the rapid development

With Pollock, there is the same physical engagement with the act of painting, and overbearing sense of impending doom

through the 1940s, by way of a Surrealist Expressionism that ran parallel in so many ways to Pollock's development, is increasingly the more engaging, and the sub-

sequent two decades of exquisite variation now the more questionable. The colour has become more muted, the presence somehow less palpable, certainly less intense. The reverential atmosphere begins to pall a bit. The final room of black and grey canvases, with a single horizontal division that speaks unquestionably of a sense of landscape, asks the final question of doubt, indecision and personal despair.

With Pollock, who comes to the Tate next month, there is the same physical engagement with the act of painting, and the matter of the paint, and also the tragic, overbearing sense of an impending doom. But he does not seem so trapped by it; at least there are glorious moments when he struggles

free. And as he moves away from the Surreal and symbolic Expressionism of the mid-1940s, derived from European examples, into the active, idiosyncratic abstraction by which we know him, so the whole business of the making of the painting becomes the subject and actual being of the painting, the very imagery growing out of the way it is done.

These paintings are things. They are what they are by virtue of the way they are made. The paint lies on the surface, manifest stuff, and yet moves back in space and light beyond the surface - for all marks laid on a surface make space, and form, and light, which is the magic and mystery of painting. And it is the power and authority with which it is

done that draws us to it, and which draws us to discriminate between different instances of it, for no two artists are alike, least of all Pollock and Rothko. Which is why we look again, and register the differences. Not the content; it must always be the quality that counts.

Mark Rothko: Musée d'Art Moderne de la Ville de Paris, 11 avenue Président Wilson, Paris 8, until April 18; sponsored by Pinault Printemps-Redoute. Jackson Pollock: Tate Gallery, Millbank, London SW1, March 11 until June 6; supported by The Guardian, an anonymous Foundation, in association with American Airlines. Terry Winters: Whitechapel Art Gallery, Whitechapel High Street, London E1, until April 25.

COMPACT CHOICE RICHARD FAIRMAN



PUCCHINI: Il Trittico
London Symphony Orch.
Philharmonic Orch/Pappano
EMI CDS 556587-2 (3 CDs)

There are some operas that are simply best heard at home. From time to time opera companies struggle to put on Puccini's notoriously tricky *Il Trittico* and everybody commends them for trying. But - if we are going to be truthful - the result is almost always a disappointment.

A recording of Puccini's three one-act operas has so many advantages, which is why the arrival of a new

one, strongly cast and well played, makes it the top of the month's CD recommendations. No opera company could ever afford this sort of line-up for one evening. EMI has hired completely different singers for each opera and has not even had to worry about which of the three prima donnas would get the star dressing-room.

The recording sessions were held over a period of two months in 1997, though Antonio Pappano, the conductor, imposes a strong-minded single vision on the whole. Each of the performances shares the same keenness to put across the drama. Although other conductors may have

allowed the music to move more naturally, Pappano scores in his variety of colour and accent and urgency.

He has been given the tools for the job. The true stars of the set are its two London orchestras, the London Symphony in *Il tabarro* and *Gianni Schicchi*, and the Philharmonia in *Suor Angelica*, both playing splendidly and well captured by the recording technicians. Even Mahler had to agree that Puccini knew a thing or two about orchestration and there is a plenty of detail to savour here, from the undercurrents of the Seine swirling through the strings in *Il tabarro* down to the diarrhoea-like run on the



bassoon when the doctor asks Gianni Schicchi if he has spent a better night. Let nobody doubt that Puccini had a wicked

sense of humour. It is fascinating how he compartmentalised his character for these three operas. Puccini's most

famous works, especially *Madam Butterfly* and *Turandot*, work on the audience's feelings by playing off sweet sentimentality on the one hand against violent tragedy on the other, usually with just a touch of comedy thrown in. Here those parts have become completely separated: the violence in *Il tabarro*, the sentiment in *Suor Angelica*, and the comedy in *Gianni Schicchi*.

The three casts, featuring some underrated singers alongside the familiar names, have been imaginatively chosen. Maria Guleghina and Carlo Guelli match each other well as the heavy-duty verismo combatants in *Il tabarro* and Neil Shicoff joins them as a plausibly Italianate Luigi. In *Suor Angelica* the often

weedy title-role is given flesh and blood by Cristina Gallardo-Domás, who is a notable find. Between them, she and Pappano make this a more red-blooded drama than usual.

Not all the singers

Felicity Palmer's razor-edged Zita, toughest of the family fighting over old Buoso's will.

Do not be fooled, however, by the pride of place given to the names Angela Gheorghiu and Roberto

No opera company could afford this sort of line-up, and EMI didn't have to worry about which prima donna would get the star billing

supersede their most celebrated predecessors. It would have been hard, for instance, for José van Dam to erase memories of Tito Gobbi in the title-role of *Gianni Schicchi*, but his somewhat gruff singing has enough calculating wit to hold its own. There are a few sharp canes here, not least

Alagna on the box cover. They sing only the supporting roles of Lauretta and Rinaldo (quite amiably) in the last of the three operas, plus a bonus two minutes as the off-stage young lovers in *Il tabarro*. If you buy this set, it is for Puccini and his three neglected operatic gems.

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OFF-CENTRE

Fidgeting nervously with the rough bright yellow cotton shawl she had wrapped around herself from head to toe, Aichana, Bint Abeld Bilal explained her name.

"It means 'our' Aicha, the daughter of the 'Abd', which means the slave. And Bilal was the slave of the Prophet Mohammed, who was the first to issue the call to prayer from the Kaaba in Mecca," she said.

Each of her names was intended to remind her that she was a slave, from a slave class whose names had borne that label over the centuries.

Her tone was unemotional. The long fingers of her hard-worn hands were gripped tightly in the shawl, as she told of her father the slave, her mother the slave, her children and her brothers and sisters, who were all claimed by her master, and her sister and cousin who still live enslaved in the village of Leukaya, 100 miles south-east of the Mauritanian capital, Nouakchott.

"My sister and my cousin are still with the master. For them, what I did was against the law. To my cousin and my sister, what I did was illegal. What is legal is for them to stay with the master. The master [pretended to] them that I was in prison because I had fled, and that I had been tortured. That frightened them," and they had no way of knowing that she had escaped.

In the eyes of her family, her supposed crime was to flee the slavery which has been practised in Mauritania for centuries. In 1981, the owning of slaves was made illegal. The government condemns the suggestion that it is still going on, but the subject arises within minutes of any talk of politics, society and Mauritania's attempts to modernise, such is the all-pervading awareness of the issue.

"I worked from the time I was five years old, making tea, collecting gum Arabic, collecting animal skins. The day began when I made breakfast, then I would be looking after the flocks until sunset," Aichana said.

She said her master, Mohammed Ould Moise, also owned her parents, who are now dead. Her parents had no authority over their own children, so they sent her to him without question as soon as she was old enough to work. "We were 10 slaves: my mother, father, my four sisters and my aunt and her children." From their hut in the master's compound, "we didn't see any of my grandparents. I don't know if they were slaves of the same master, but I think they were slaves of the same family," Aichana said.

The events marking her escape from slavery in 1985, at the age of 28, saw the same cruelty she had experienced as a captive. The resistance of slave-owners to any change in their practices is widespread.

Slaves may have been officially freed in 1981, but few have anywhere to go with their new-found freedom. Many stay with their masters, in a state of quasi-slavery, while others remain enslaved by owners who refuse to let them go and are under little pressure from the state to free them. Criticism of state inaction has been raised by *Action pour le changement* (AC), a political party intent upon ending slavery and improving the lot of former slaves, known as the *Haratine*. AC estimates that 40 per cent of Mauritania's 2.5m people are in a state of slavery or semi-slavery. The government responds by saying there are no slaves at all.

While Aichana was in her teens, her master decided to use her to repay a debt. She says he owed a man payment for two cows, a small camel and 50 goats, and he gave the girl instead of money. But the man to whom she was indebted complained that she was not worth enough, and forced her master to take her back. She does not know how the debt was finally settled.

A taste of freedom did not arrive with the passing of the 1981 law, nor with growing condemnation of Mauritanian slavery from human rights groups both outside and inside the country, in particular SOS Esclave, which first highlighted the existence of slavery in the country.

In 1995, Aichana was lent to her master's brother to work as a housemaid in Nouakchott and in



Freedom from her master's voice

Although outlawed in 1981, slavery is still all-pervasive in Mauritania. Mark Huband talks to a woman who got away but is still considered a criminal

his fields along the Senegal River. Poor relations with her temporary master led to her fleeing with two of her sons to a village where a group of ex-slaves had formed their own community. But she was soon tracked down by her original master, who came to the village and demanded her return. The elders of the village told him he should leave her, but he refused.

"He demanded my two sons if I refused to go with him, and I gave them to him in return for my freedom," she said, with barely a flicker of emotion. Her sons were five and seven years old, slaves like the rest of their family. She won them back in 1987, after a legal battle of a kind that has become more common in Mauritania.

The case was taken up by SOS Esclave, which fought a legal action on her behalf, and forced her former master to return the boys to her. Her sons now live with her in Nouakchott.

"Forty per cent of the population are slaves, based on figures from all the tribes I know well," says Moulaye Mohammed of AC. The *Haratine* say it's 45 per cent. They are the slaves of other people. There's no ambiguity. If the master dies, the slaves are part of his property to inherit. There's a state of slavery - people who see themselves as masters, and others who see themselves as slaves."

He related the story of how last year a former slave master demanded part of a deceased man's house in Nouakchott. The master said he was owed part of the house because he had granted freedom to his former slave on the understanding that the house would go to the master if the former slave died. But the sons of the former slave fought the case in court, arguing that

'He demanded my two sons if I refused to go with him, and I gave them to him in return for my freedom'

the master had no right to have granted their father his freedom on this basis. The court decided against the slave-owner, and the house went to the dead slave's sons.

In another case, the owner of a slave girl whose master could not actually employ her but still remained her master, demanded that the girl's salary from her job as a doctor's assistant be paid directly to the slave owner. The doctor, Moulaye's brother, refused, but suspects the owner continues to take the salary. "To change a medieval system

you have to have everybody going to school," said Moulaye.

"The regime must tackle slavery as a crime, and punish the proprietors. The property and wealth of the slave-owners must be shared among the slaves. The *ulama* [religious leaders] should come together and say that slavery shouldn't exist and that if the government uses the police, it will stop. But while the *ulama* and the police are complicitous, it won't change."

The only real advance since the 1981 legislation has been that the injustice of slavery has been forced on to the political agenda. But the indignity and abuse to which Aichana and thousands like her have been or are being subjected, has barely brought any official effort to console and compensate those whose chains may have been broken but who have emerged into a largely, though not entirely, derided class of the *Haratine*.

"As a slave I worked as soon as I could carry water. I worked from sunrise to night," said Aichana, who now works for money in Nouakchott, as a maid. "I can't say that I was never a slave," she added, unsure whether in escaping she had committed a crime or not. "I know I am free. But there's a side of me which is a former slave. And I am reminded of it with my sister and cousin there still. They know what I did was wrong."

One million reasons to give up the day job

It has taken a work of fiction to uncover the pessimism rampant in today's workplace, as Victoria Griffith discovers

Did you ever wonder what runs through the minds of employees when their boss begins to rant and rave about the importance of quality and team work? *Day Job*, a fictional tale of a young man working his way up through a corporation, may provide some insight.

This black comedy makes Dilbert's work life look good. The storyline of the book is simpler than an employee's decision as part of a management improvement programme, to write a diary of what happens during the day. With the kind of free-spirited design usually reserved for children's stories, *Day Job* has the appearance of a scrap book, stuffed with newspaper clippings, side annotations and doodles.

As a novel, it's a failure. The characters never quite gel, and the plot is so simple, it's almost non-existent. But as a commentary on modern corporate life, it's brilliant. For anyone who has ever spent any time in a corporation, the dialogue has us alternately giggling and squirming, as we recognise ourselves and others in the book.

Jonathan Baird, the author, paints a picture of a workplace where insincerity reigns, and the only person who says what he actually means gets fired. Hollow cheerleading and false store philosophies are the order of the day, as senior managers push the latest management fad on the rest of the company.

In one scene, an employee's telephone rings insistently in the background, while a superior lectures him on the importance of customer service. The walls are festooned with "firing squad portraits of our employees of the month", and people are identified by which cubicle they occupy.

With thousands of management books flooding the market, it's taken a piece of fiction to reveal the deep cynicism many workers feel about work, a pessimism that is fuelled, not damped, by the motivational initiatives thought up in corporate board rooms.

Baird, not surprisingly, is a corporate outsider who never went to business school or occupied any managerial position. A 26-year-old graphic designer, his main feat in life was graduating from Harvard University. "My one claim to fame in the Ivy League is that Matt Damon [the Hollywood actor] stole my girlfriend," he jokes.

Like many twentysomethings, Baird thought he would ease into a glamorous career after university. At first, it seemed the stars were in his favour. Following graduation, he landed a job designing sets for a new television series to be filmed on the island of Martha's Vineyard.

When the show failed to make it in Hollywood, though, Baird returned to Cambridge, Massachusetts, working at a video store near his alma mater to pay his rent. In his spare time, he wrote a few bad novels (his judgment) and put together a portfolio with an eye to becoming a graphic designer. Although he had no experience, Baird was invited to several interviews.

"Some were pretty bad, because I didn't know what I was doing," he says. "They'd say 'Do this paste-up' and a half an hour later, I'd be sitting there trying to figure out what they meant." Even so, he eventually found a job with a large advertising firm.

It was there that Baird got a taste of modern management theory. The company had adopted "total quality management" (TQM) as its mantra and Baird was shuffled off to training sessions under the TQM logo. "For most workers, it always seems like someone else's company, no matter how much they try to tell you you're

working for yourself," Baird says. "Corporations dangle this carrot in front of you, but you're the one who has to decide where, how and whether you fit into the organisation. The company's idea of success may not be yours."

That sense of alienation comes through strongly in *Day Job*. The upper managers are so distant from their employees that they are referred to in the book only by title, never by name. That the main character experiences few physical discomforts in his job as customer relations agent just makes the job more insidious.

This is no pro-labour tale of torture at work, but a story about gnawing dissatisfaction. "What makes work so bad sometimes is that there's no good reason to leave it," says Baird. "It's paying the bills, so you just stay."

His pessimism often erupts in hilarious dialogue in *Day Job*.

'What makes work so bad sometimes is that there's no good reason to leave it. It's paying the bills, so you stay'

Lon, the main character's boss and a pro at customer service, speaks to an angry client on the telephone with set phrases that may make the reader cringe with their familiarity. "How can I make you happy, today?" he says, and "Tell me what to do to make it right, John."

The passages on TQM meetings are among the best in the book. At one point, the main character's team tries to come up with a mission statement. "Do you think we should add something like: 'Develop focus on clearly defined goals; conceive, test and implement actionable means to attain these goals'?" asks one employee. Another contributes: "Act decisively on concrete issues, quantify results and develop realistic metrics for success and team... evaluation."

Later, at a big TQM rally for the entire corporation, group managers get a chance to pound a melon with a sledgehammer.

Managers write their groups' most damaging flaws on the fruit and take a whack at them.

"Down go tardiness, poor communication, inattention to detail and prima donna-ism," Baird writes. Boss Lon only manages to squash the melon on his second try, an accident the mediator uses to drive home his point. "You came at it again with a different solution, you turned your mallet-head lengthwise, and the problem vanished..." he philosophises.

At the end of the book, Baird brilliantly spoofs the omniscience many management gurus claim. The main character presses the lecturer to explain how TQM affects his own career. After failing to put him off with the set phrases, the guru finally breaks down and admits he doesn't have all the answers. "Do you think the overbearing or unresponsive manager just came into being this year, in your neighbourhood?" he asks. "You're young, and you're not supposed to know what's going on."

Happily, Baird's day job no longer resembles that of his fictional characters. After he left the advertising firm, an old Harvard connection paid off. Laurence Allen, the uncle of his former university roommate (and former editor of the management bible, the *Harvard Business Review*), offered him a position as designer at a publishing company he was setting up.

When the fledgling company found itself without much work, Allen suggested Baird write a book. He did, and Carol Allen, Laurence's wife, filled the scrap book with management theory quotations. Why Allen, who spent much of his life promoting management theories, would publish such a book is a mystery. *Day Job* thumbs its nose at the guru who has showered us with such theories as "bottom-up management", "team-work" and the "quality revolution".

That this spoof on management theories will probably appeal to a wide audience is evidence of how deeply those theories have insinuated themselves into corporate life.

■ *Day Job*, Allen & Osborne, 155 pages, \$24.95 (US); Capstone, 118 (UK).



Jonathan Baird: 'The company's idea of success may not be yours'

I have become an Englishman. Or at least I thought I had until I sought to mark the occasion with a celebratory lunch with two friends.

When I told them the good news - confirmed that morning by a certificate of naturalisation from the Home Office - their four blue eyes bored sceptically through my two hazel orbs. After a long pause, their shoulders began to heave, and good form gave way to benign uproar. "Not possible old boy." "Best one I've heard in years," and so on.

To avoid being invaded out of the restaurant, we moved swiftly on to other subjects and then went our separate ways. I found myself somewhat wiser, armed as I was with the newly found knowledge that the granting of nationality does not by itself confirm Englishness.

A curious state of affairs then, even in a country renowned for its oddities. Not only was I not (yet) English, my naturalisation certificate stated clearly that I was not even a British subject - simply a British citizen. What

HOME TRUTHS

There's more to nationality than a stamp on a passport

Being English is not the same as being a British subject or even a British citizen. Frank Gray considers his new-found status

does Her Majesty think of this. I wondered, when her people are no longer subjects but citizens.

I recall one of my early Canadian passports, from around 1970, which declared that the holder was a British subject - the Queen was, and still is, Queen of Canada. Pierre Trudeau, then prime minister, saw that one off in due course, though he went too far in trying to remove the Royal from Royal Canadian Mounted Police. He also offended residents of British Columbia by referring to the western province as Canadian Columbia. Politicians suggested he cease and desist or he might lose strategic votes. He desisted and lost them anyway.

But we stray. One would think that the process of receiving recognition as an Englishman

through naturalisation should be easier now that these islands are in the early stages of federalisation.

While in Scotland a few years ago, I was told that my Canadian roots made me a half-Scot straight away. Dramas of single malt were poured and toasts to everlasting fraternity were made in celebration.

The Irish, as everyone knows, are the most generous of all in conferring nationality. One has but to mention that one has an Irish relative - no matter how remote - to find oneself wallowing in Irish hospitality. In any case, on March 17 the entire world becomes Irish for a day.

There may be another aspect to this. A contact at Irish Distillers in Dublin suggested how happy

he would be if only all the Irish in the US - there are 40m Americans of Irish descent, he claimed - bought a bottle of Irish whiskey a year.

In the new world, citizenship and nationality are eagerly encouraged and enthusiastically conferred, often in touching ceremonies with pledges of allegiance, biblical tomes at the ready and bearded magistrates presiding. It helps to show keenness, notably in the US, for the twin ethics of hard work and upward mobility.

Canada long ago abandoned the descriptions Displaced Persons (DPs) and New Canadians to categorise its immigrants, as has Australia and New Zealand.

But back in the UK, it is Britishness rather than Englishness

that will mark the first base to full acceptance. The late Lord Goodman, legal adviser to the Labour party under Harold Wilson, said in his memoirs that his Jewishness ruled him out, and in any case he was not Anglo-Saxon.

The writer Anthony Burgess offered the view that Roman Catholics too were outsiders and only in recent years had been selectively allowed inside the gates.

A distant American cousin recently alighted in London, to take a job in the course of house-hunting, she encountered a wide range of England-born estate agents. It was only those of our who, despite their birthright, felt they had no claim on Englishness. But encouragement can

be taken from a Cyprus-born taxi-driver who, thumping his fist somewhat dangerously on the wheel of his car, told me: "I'm here 40 years, since being a teenager, I'm English!"

To avoid ulcers, though, the best course of action is adaptation and stimulation. Forged art is often better than the original. Easier said than done, of course, for I still have trouble switching from tomato to tomato and from skedule to schedule.

But I have armed myself with an arsenal of words and inflections which get me out of tight spots in day-to-day discourse - although they are guaranteed to raise eyebrows among my North American friends, not to mention my English wife. One gains a new way of speaking without

losing the accent of one's birth.

What is wrong with cheers, cheerio or even blimey? While dining with an octogenarian friend, I plucked "tapping" (as in very good) out of thin air, only to be told that tapping was on its way out in the 1930s when he was a teenager. I protest; it should be brought back.

Love of cricket, feigned or otherwise, does one no harm. After 22 years, I have finally found out what a silly mid-off is - a player who stands in a silly position on the pitch. Roll on warm summer and warmer beer.

But, if we are to believe Tony Blair's utterances on a recent television show, estuary English, rapidly becoming the vernacular in south-east England, is also in vogue. I tried a Cockney-volée locution of my own on a colleague from East Ham: "Gizza fiver, sweet! I haven't got a Torvil."

To which came the enthusiastic reply: "Torvil and Dean - bean. Very good, very good. I'll try that out on my greengrocer."

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part 3

The Road To Recovery

It will be many years before Malaysia can post annual growth rates of 8 per cent again. Yet just 18 months after the worst recession to hit the country since World War II began, the economy has shifted gear and although the fast lane is out of reach for the time being, Malaysia's clearly off the hard shoulder.

Eighteen months after the Asian financial crisis began and after hitting its lowest point in the July to September period last year when it contracted by 8.6 per cent year-on-year, the Malaysian economy is showing firm signs of recovery.

Malaysia's Finance Minister Daim Zainuddin said recently that "The general opinion is that we should see a turnaround this year and growth rate will move into positive momentum once again. But before that we have a lot to do. For one, we have to get consumers to spend. If they refrain from spending, there is a risk of corporate closures and retrenchment."

The National Economic Action Council, charged with reviving the economy, is predicting that the econo-

but should gather strength in the second half.

Dr Victor Wee, deputy head of the NEAC Secretariat said: "We expect that the economy will pick up this year, and register a stronger growth for the second half of 1999. The monetary and fiscal policies adopted under the National Economic Recovery Plan would have taken effect in the economy. Meanwhile, the banking problems would be largely addressed by the middle of 1999. By the end of 1999, we would expect things to look positive for Malaysia."

Surprisingly - given Malaysia's much criticised own remedies for handling the financial crisis - several international analysts are forecasting an even stronger economic comeback. Growth rates at 2 percent to 3.5 percent have been suggested. Singapore securities firm GK Goh on the outlook for the Malaysian economy writes: "Reflationary policies could stop the economic contraction by second-quarter 1999, with low inflation allowing for more aggressive monetary

1999 and says a "sensibly designed financial sector restructuring and diminishing political tensions favoured Malaysian shares."

Evidence that the economy has not only bottomed out but is picking up isn't hard to find. Exports, a pillar of the government's recovery policies, are faring well. In October, exports turned around to record positive growth in US dollar terms after posting declines in the preceding months. In the January to November 1998 period, exports of manufactured goods - chiefly electronics products - climbed by 21 per cent to RM211 billion. The jump enabled the country to enjoy a trade surplus of RM51 billion, a sharp turnaround from the previous year's deficit of RM45 million.

Other indicators also show that the worst is over. Led by better demand for industrial chemicals and semiconductors, industrial output rose by 6 per cent month-on-month in December, though it was down by 9 per cent year-on-year. Consumer spending has picked up with sales of passenger cars climbing by 15 per cent month-on-month in November. Although sales were down 40 per cent year-on-year, the figures were a marked improvement over the more than 60 per cent contraction seen in previous months.

Thanks to higher liquidity in the banking sector, falling interest rates and

increased public spending on construction and engineering, consumer confidence has improved, paving the way for a gradual recovery in domestic demand. Bank liquidity has expanded substantially with the unlocking of RM44 billion of

ther stimulate economic activity and spur demand for vehicles and residential property by lowering the cost of borrowing. A huge trade surplus of RM27 billion is likely this year in spite of global overcapacity in certain indus-

tion agency has injected more than RM4 billion into 11 banking groups. Danaharta, the loan-recovery agency, has to date acquired RM22 billion in non-performing loans, the level of which should fall to 10 per cent of total loans this year from an estimated 15 per cent last year.

After a slow start, bank restructuring has gathered pace. Bank of Commerce and Bank Bumiputra Malaysia, two of Malaysia's largest banks, have merged, as well as have smaller finance companies. The pace of banking sector reform has been impressive, says Goldman Sachs.

Rising domestic liquidity, falling interest rates and increased business activity auger well for the stock market, as does the lifting of a one-year moratorium on the repatriation of funds from share sales imposed in September last year as part of capital controls to limit the flows of speculative funds. After February 15, outflows are subject to an exit tax. The stock market has doubled in value since falling to a 10-year low last year.

According to ABN Amro, an international financial services group, funds will be attracted back following the easing of capital controls. Fund inflows should strengthen when Malaysia is readmitted to the Morgan Stanley Capital International indices and other internationally followed benchmark indices, which, says Merrill Lynch, an international stock brokerage, is only a matter of time. Malaysia was removed from the indices following the imposition of capital controls in September last year.

Stephen Taran, managing director of Salomon Smith Barney, the government's financial advisor, says that not only is Malaysia's recovery right on track but that its long-term plan to be a fully developed nation by the year 2020 is achievable. Commending the



Restructured and reformed, banks are lending again and (top right) forestry and agriculture will also benefit from increased public expenditure

funds that banks are no longer required to keep with the central bank in addition to good export earnings.

Over the past few months, lending for personal use and for consumer goods has steadily increased and the jobless rate has stabilised at around 3 per cent as retrenchments fall. Low inflation and continued trade surpluses, along with inflows of foreign direct investments and official long-term borrowings, will lead to further falls in interest rates this year. This would fur-

tries and a slowing world economy.

The borrowings, including US\$5 billion from the World Bank, are to help finance corporate restructuring as well as the building of such strategic infrastructure projects as highways, ports, waterworks and sewers under the government's reflationary policy. Funds would also be used to develop agriculture, housing, healthcare and education.

Investment fell markedly last year but appears to be bottoming out. Last year, approved capital investment from domestic and foreign companies in manufacturing - a main engine of growth - increased by 23 per cent to RM25 billion, largely on account of two large chemical plant projects. Many of these projects would be implemented this year. Usually three quarters of approved projects are implemented 6 to 9 months after approval is obtained.

Rather than severely contracting in the wake of the Asian crisis, foreign direct investment in the sector has persisted, with approved capital investment climbing by 14 per cent in ringgit terms last year, partly as a result of relaxation of rules permitting 100 per cent ownership without meeting export conditions.

All new manufacturing projects approved between July 1998 and December 31 2000, including industrial diversification and expansion are exempted from export and equity conditions.

As a result of the Asian crisis, Malaysia has become an even more attractive proposition for multinationals. "Foreigners now find Malaysia a cheaper investment location due to lower local costs from a depreciated ringgit. We continue to offer the best infrastructure in the region and a pro-business Government policy environment," says Daim, (see story left).

In the banking sector, the credit crunch is over following accelerated moves by the government to recapitalise the banking sector and acquire non-performing loans, increasing banks' ability to lend and generate revenue and allowing business greater access to working capital. Last year, lending grew by just 0.5 per cent but banks are aiming for a growth rate of 8 per cent this year.

Danaharta, the bank recapitalisa-



More infrastructure projects like the North-South Highway are planned to keep Malaysia on the move

government's handling of the crisis and the policies put in place, he says that Malaysia has valuable assets such as its human resources and sophisticated infrastructure built up over the last 20 years to speed recovery.

More than any single economic indicator or sector, the people of Malaysia hold the key to recovery. Malaysia's Prime Minister Dr Mahathir Mohamad wrote recently that: "I believe if we are to rapidly recover and restore sustained and dynamic growth, fierce competitiveness and economic resilience, there is a need for a total national effort. The entire nation must be united. More, the entire nation must be fully mobilised, working as one organic whole, united behind a single purpose. This is where the societies of east Asia have a comparative advantage."

This advertorial was created by the Malaysia Tourism Promotion Board.

*Economic and financial data supplied by the National Economic Action Council, Malaysia unless specified otherwise.



Investment in education remains a priority for Malaysia

my could expand by *2 per cent in 1999, after contracting by an estimated 6 per cent last year. (The official forecast for 1999 is 1 per cent.) Growth may be weak in the first half,

expansion, while demand growth is too weak to create a trade deficit." International investment bank Goldman Sachs has forecast a 2 per cent rise in gross domestic product in

Malaysia Means Business

Multinationals have long found that Malaysia provides a good return on investment, and now with changes to equity and export conditions, and cheaper local costs, setting up shop is even more tempting.

Faced with a fall in demand, increased competition and currency devaluation that drove up the cost of imports following the onset of the Asian financial crisis, many foreign direct investors might have been expected to cut back on investments and relocate facilities. They did not. With rare exception, they have stayed put and plan to expand, upgrade and diversify their operations in Malaysia.

Take, for example, Samsung. The South Korean electronics group is investing US\$34 million in its Malaysian operations this year (more than double the amount last year) to produce higher value-added products such as colour display tubes and more components locally. Another US\$60 million plus will be invested over the next four years. The company has already invested US\$1 billion in four manufacturing plants, making it the largest South Korean investor in Malaysia.

"Last year was a tough year for us (but) Samsung is confident of Malaysia's recovery and remains committed to the country. Malaysia continues to be the largest overseas investment for Samsung in south east Asia," says Samsung Malaysia's managing director Kim Jong Kim. The local economy, he says, ought to be able to expand by the National Economic Action Council (NEAC) projected rate of 2 per cent this year, after contracting by estimated 6 per cent last year. The NEAC is charged with reviving the economy.

The attractions of Malaysia include political stability, sound infrastructure, favourable investment incentives, availability of skilled manpower and an investor-friendly government. "Our Malaysian operations are among the best overseas business operations for Samsung Group worldwide. This can be attributed to the favourable investment conditions Malaysia offers," says Mr Kim. Samsung, he adds, has not experienced any labour disputes since it set up operations in Malaysia in 1991 and that power utilities have made special efforts to ensure stable electricity supply for its plants.

The company, which stayed profitable last year through cost cutting and increasing productivity, aims to make its Malaysian subsidiary the group's best manufacturer of picture tubes and microwave ovens. The local operations also make television and computer monitor glass panels and funnels, printed circuit boards and electron guns. Sales turnover of RM13.9 billion last year is expected to expand by 12

per cent this year due to the introduction of higher value products and more components being produced locally. Its microwave ovens now have almost 90 per cent local content.

Western multinationals like Compaq Computer and Blue Circle Industries also find that Malaysia continues to have much to offer. Compaq, the US computer company, is investing more in Malaysia and sees strong potential for growth in the information technology sector, particularly in healthcare,



Under new legislation, 100 per cent equity can now be held by multinationals investing in many business sectors

telecommunications and financial services.

"We have certainly increased our investment in Malaysia for the past eight months," says Graeme Shorter, managing director in Malaysia. "Our aim is to become the regional expertise center here in Malaysia and we are already building our foundations." Compaq was involved in setting up the infrastructure for the country's first paperless hospital in Selayang, Selangor. It has built a substantial local presence over the past six years by selling desktop PCs and network support services.

The company is pursuing plans to develop electronic commerce, which the government is actively promoting, and is investing in Malaysia's Multimedia Super Corridor, the information-technology hub.

Blue Circle, which has been in Malaysia for 49 years and is a pioneer in the local cement industry, is investing some RM2.4 billion in the sector. Through subsidiary company Malayan Cement, the British construction group is purchasing stakes in Kedah Cement and Associated Pan Malaysian Cement (APMC) as part of plans to make its Malaysian operations a cornerstone of its Asian business.

"The gloomy outlook won't last forever. And that

is what is driving the (acquisition of) cement plants," says Alistair Cox, managing director in Malaysia. Cement demand in Peninsular Malaysia contracted sharply last year and is expected to recover in 2000, when demand elsewhere in the region is also likely to pick up.

The purchases will give Blue Circle a 48 per cent share of the local cement market. Kedah Cement is the second largest cement producer in Peninsular Malaysia after APMC. Blue Circle plans to export cement to markets in South Asia from the Kedah Cement plant, a low cost producer, in Langkawi, an island off northern Peninsular Malaysia.

For Malaysian companies like Sime Darby, the overall business environment is improving and it plans to expand its plantations and insurance business. It is also considering breaking into new sectors.

"The outlook is of greater business confidence arising from the measures taken by the government. There is liquidity and rates have come down in the market place," says Nik Mohamed, chief executive. "With our strong balance sheet and net cash position, and with asset prices as low as they are, there may be some opportunities for growth through acquisitions."

Under the National Economic Recovery Plan, the government is reviving the economy through such measures as keeping interest rates down, recapitalising the banks and, through a RM12 billion stimulus package, building strategic infrastructure such as highways, ports and waterworks and developing agriculture, housing, education and industries.

Malaysia's biggest multinational, Sime Darby is returning to black after having to swallow losses stemming from problems at its banking arm, which it sold last year, as a result of the Asian crisis. It expects to make about RM1900 million in pre-tax profits in the current fiscal year ending June. The company has been streamlining its operations by, for example, merging its two tyre making divisions. There are also plans to coordinate projects or form joint ventures with other Malaysian plantation companies such as Kumpulan Guthrie and Golden Hope.

"The general idea of rationalisation and coming together is to be competitive in certain products and services. Once combined we would be a huge player in plantations and with Kumpulan Guthrie, an even larger property developer," says Nik Mohamed.

MALAYSIA TODAY PART 4

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Going like heaven for leather

Joseph Ettedgui has expanded his stable by buying the luxury cult of Connolly. Holly Finn cheers as he puts his foot on the accelerator pedal

Good things happen in stables. This week near London's Hyde Park Corner, in a new building that once sheltered horses and has for the past four years housed the cult leather shop Connolly, Joseph Ettedgui (the owner of Joseph) made a purchase. Not the city rucksack in racing green, the company.

Then he rushed downstairs and promptly reorganised the shop's displays, folding orange sweaters and pink scarves into neat squares, arranging luxe leather briefcases atop the "elephant table" that runs nearly the length of the shop.

He has been here before, when the first and so far only Connolly retail space was christened in 1995 and he helped merchandise its

wares. "Setting it up, I thought it would be great if one day it would belong to us," said Ettedgui, chuckling that he "came back four years later to put it back the way it was".

Loyalists of Connolly's trademark leather range with sleek motoring motifs need not fear. As majority owner of the luxury goods business, the Moroccan-born man who built Joseph into a famous fashion chain does not intend to disown more than 120 years of Connolly expertise.

Unlike many, this luxury company has always been a business first, then a brand. Its goods are exclusive not because they flash logos (they don't), but because they are the products of genuine, skilled labour. Ettedgui relishes the company's his-

tory-steeped workmanship just as customers do. He plans to accelerate the brand - not Sunday-driver slow, but not chicken-run fast either.

The third and fourth generations of the Connolly family will keep a small stake in the luxury goods side, and will remain in charge of the traditional leather company. Founded in 1878, it made the seats for Edward VII's coronation coach and has since upholstered the finest carriages - Jaguar, Rolls-Royce, Concorde and the Q&Q - as well as 14 parliaments worldwide, including the Houses of Commons and Lords.

Since American car manufacturers have taken such a shine to the English - Ford buying Jaguar, for example - Connolly Leather has been expanding. (It has a new

Detroit plant, in addition to its 12th century tannery in Canterbury.) Connolly Luxury will be growing as well, informed but not locked in by automotive style.

Think Louis Vuitton and ocean liners, Hermès and horses. But don't think im-

"The motor car is a wonderful theme," said Ettedgui, jumping up from the shop's soft brown leather sofa on the day his purchase was announced, to retrieve white mechanic's overalls from a hanging rack.

On this limited edition the

'English modern and sleek' is how Joseph describes it - but 'saved from minimalism by a touch of wit'

tation. Ettedgui is not an imitator.

He has the ability to admire others for doing what they do best. "There is only one Hermès, and there will be only one," he says happily, while making the most of precisely what he's got.

Connolly name is embroidered front and back along with distinctive black and white checks. "It's not just a gimmick," he adds, admiring the outfit. "It's a history of the motor car which belongs to the family, and to here."

The brand is rarely so

obviously recognisable, unless you are already familiar with it. It is the Connolly craft, not name, that has always been highlighted.

When the brand does appear, on a blue-black leather travel wallet for example, it is subtly embossed and tucked beneath the magnetic clasp.

Only when the wallet is opened can you see the name, and then only barely. What you can see, immediately, is the distinctive, contrasting, cream leather interior.

Ettedgui will continue to cater to lovers of this cream, and other signature touches. He is impressed by the calibre of customer that visits the Connolly shop, not least for their resolve in finding it. Tucked away behind the Lanesborough Hotel, it's

missed by all but the determined. He calls them "scouts", the kind who - when buying a present - dare to resist the lure of obvious names and keep searching for that rarity. "Because something is not easily found, they are proud to have found it," he says.

The man who early on championed maverick designers like Azedine Alaïa, Helmut Lang and Martin Margiela at the shops he first opened in the 1980s knows about scouting.

The success of Joseph, man and merchandise, is due to instinct as much as persistence. Now, as the man senses that customers are craving "comfort and quality, rather than completely changing the way they look" every few months, he seems delighted to be getting

Now we're motorizing the world through Connolly-covered goggles

Holly Finn, photographer

involved in "something that is not fashion".

Joseph's wife Isabelle has been involved for some time. Having worked with the Connollys for more than 10 years, she is the shop's creative director. "I've probably known them as long as I've known the Ettedgui family," says Isabelle, adding that this week's purchase was "a very personal decision between Joseph and the Connolly family".

It's an insider deal - and strangely refreshing. Elsewhere, huge and hungry merchandising mouths are gulping down luxury boutiques as if they were Smarties. Connolly is, of course, a retailer interested in making money (the cryptic 888 embossed on leather goods is a take on the Chinese lucky number for profit). But fans of the Connolly Tan, its per-simmon coloured leather, warm as sunlit fruit, can celebrate this week's family transfer knowing that it does not herald the disappearance of old favourites, only the addition of new ones.

Isabelle will continue as creative director and promises the shop will always stock the original range as well as innovations. This year, she will introduce a new luggage collection, "slightly lighter, slightly easier" for travel. A range of leather driving trousers is also in the works.

While Anthony Hussey, third generation Connolly, trusts that Joseph will apply his vigilant identity-making skills to Connolly ("If you go into a Joseph at five to six on a Saturday afternoon, you find him in the shop"), he credits Isabelle with envisaging the original retail look of the company. English, modern and sleek, is how he describes it, but "saved from minimalism by a touch of wit".

Wit: it's all in the family. Black leather gloves with a renegade red index and middle finger on the right hand, an "airplane cashmere" sweater that can be crunched up into an in-flight pillow, speedometer cufflinks.

These are the kinds of ideas that get thought up, amid hearty giggles, around the dinner table. And in the stables.

Whimsical beginnings give birth to addictive ceramics

Whether it's loving cups, apothecary jars or plates that you're looking for, Elizabeth Helman Minchilli says Deruta is the finest source of glazed ceramic ware

Anyone about to visit the small Umbrian town of Deruta should be warned: the ceramics produced there could prove addictive. Seeing them may cause deep cravings and an unstoppable urge to bring these objects into your home.

Along with other small towns throughout Italy, such as Vietri sul Mare and Grottole, Deruta is one of the biggest producers of the glazed Italian ceramic ware known as majolica. But Deruta stands out. It has been producing high-quality majolica for more than six centuries - far longer than other centres. When you bring a Deruta ceramic into your home today, you're bringing in a piece of history.

The Italian Renaissance inspired not only Raphael's *Madama and Michelangelo's David*, but also the most fertile period of ceramic production in Deruta. Both economically and aesthetically, the 16th century in Deruta was profoundly successful; production reached record levels; inquisitive and canny potters sought out and mastered new techniques that would push them to the forefront of the field. The ceramics produced in Deruta during this period stand today, as masterpieces, in museum collections throughout the world.

One of the main innovations was the use of tin-based glazes, which had started to be imported from Spain in the 14th century. Tin oxides, rather than lead, enabled potters to apply ever more detailed and delicate patterns to their works. The addition of various oxides over the years yielded a rich and varied palette.

By the 16th century, plates, bowls and apothecary jars boasted brilliant yellows, deep blues, turquoise, orange and red, all highlighted with the Derutan speciality: a

shimmering golden glaze which rivalled intricate metalwork of the time.

Once lit, Deruta's kilns never went out. The craftsmen who first developed the brilliant glazes passed on their knowledge and innovation in both form and pattern to future generations. More than 300 firms remain in Deruta today, making it one of the biggest ceramic producers in Italy.



The craftsmen who first developed the glazes passed on their knowledge

Such quantity might imply impersonal industrialisation of a craft, but the briefest of trips to Deruta dispels any worry. This little town is a place where the human touch is always in evidence; the hand-crafted element is evident in the shapes, textures, and colours of the finished work.

To the untrained eye, Deruta's shops look disarmingly familiar. Most stock a

selection of pieces featuring some variation of the traditional trio of patterns: Gallo Verde, Calligrafia and Raf-faelsco. All three are descendants of patterns from the 16th and 17th centuries.

But there are subtle differences, in both the quality of material (glazes and clay) and in the design and draughtsmanship. The more time spent on a piece is, naturally, reflected not only in its beauty but also in its price. However, a good number of studios produce high-quality work at a reasonable price.

No matter the size of the studio, most are willing to accept special orders. One of the joys of visiting Deruta is the chance to sit down with a maestro and work out your own special pattern, whether simply a colour variation of a traditional model, or a set of plates incorporating your family's coat of arms.

All but the smallest firms are well versed in the complexities of exporting. Most trips to Deruta begin at the turn-of-the-century Grazia factory. Located, like all of today's producers, on a stretch of road not far from the nearest motorway, Grazia is the most important producer in town. Its large and airy decoration room is the training ground for many of the artisans who later strike out on their own.

While Grazia's repertoire includes richly coloured and intricately painted patterns, such as *Figurina Archaleo*, which carry on Renaissance rhythms, perhaps the most striking is the pure white *Uva Bianca*. Don't let the place deter you. Be persistent and they may allow you to order some of the best ceramics in town.

Franco Mari, down the road, has developed a unique set of patterns. They are based only loosely on 16th

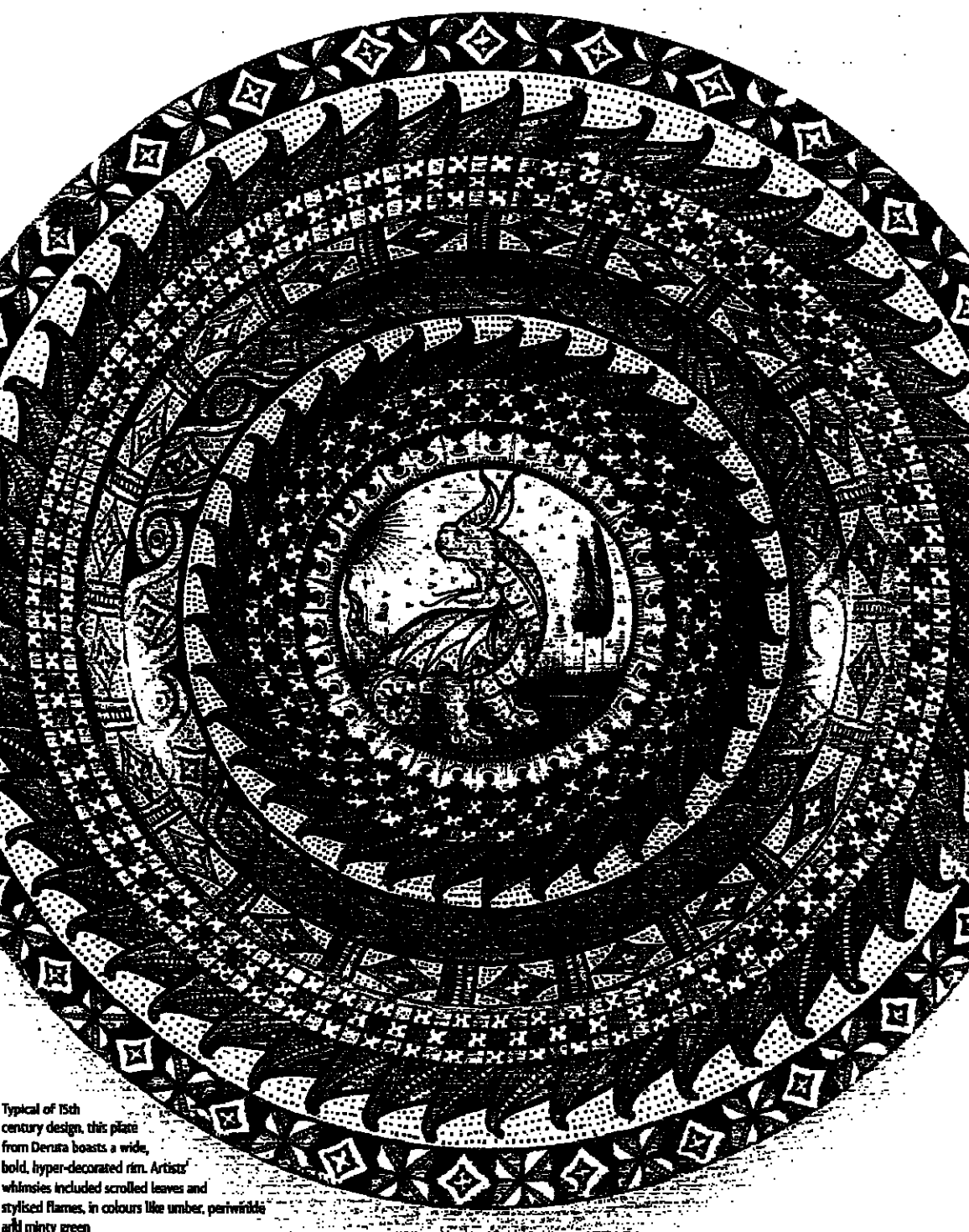
century motifs, spiced into lively new combinations with patterns and colours found on his travels.

"Anasazi" takes American Indian sand paintings as its cue, tracing them on to coffee and tea sets.

Not to worry if you can't decide on a specific pattern for your dinner set. Mari encourages tableware with a different pattern for each setting. All are covered with Mari's distinct glazes. They are always rich, saturated with smoothness. The glasslike finish is the result of a final transparent coating, the secret recipe for which Mari inherited from his father. One of the great masters in town is Antonio Margaritelli. From the outside, Antonio Margaritelli's store looks like many of the other low-slung, new buildings that line the Via Tibertina. Situated just past the only traffic lights in town, the modern building has an intimidatingly steep, sloped parking area. But once you step through the glazed doors, the difference between this and the other shops around town is immediately apparent.

No Gallo Verde pattern here. In fact, the first display cabinet contains objects not even for sale. The most prized of the designer's enormous collection of Renaissance fragments is proudly displayed, rivaling that on view in the museum nearby. Through painstaking research and experimentation, Margaritelli recaptures the fascination and beauty of these 16th century fragments. He has, for instance, rediscovered the old formulas for glazes and uses pigments he digs up himself in the surrounding hills.

He produces only a few hundred pieces a year, each one unique. All are based on antique patterns, so true to the originals it's often hard



Typical of 15th century design, this plate from Deruta boasts a wide, bold, hyper-decorated rim. Artists' whimsies included scrolled leaves and stylised flames, in colours like umber, pearlywhite and minty green

to tell the difference. While his larger plates - designed to hang on the wall - require a substantial investment, a collection of his *coppe amatorie*, or loving cups, can be started for a reasonable sum.

Traditionally given to each other by lovers, these small plates bear the initial of the giver. Whether your passion for Deruta is age-old or new-found, these cups are the perfect way to share it.

Don't miss

Museo Regionale della Ceramica, Deruta: Museo del Vino, Torrignano Church of Madonna del Bagno, Castina. A full list of the producers in Deruta can be obtained at the tourist office in the main square. These are favourites: Ceramichie chiochi, Via Umberto I, Tel: 075-971 0747; Grazia Deruta, Via Tibertina Centro 181 Tel: 075-971-0201; Ceramichie Sberna, Via

Tibertina Centro, 145 Tel: 075-971 0208; Antonio Margaritelli, Via Tibertina 214 Tel: 075-971 1572; Franco Mari, Via Tibertina 258 Tel: 075-971 1254; C.A.M.A. Via Michelotti 41 Tel: 075-971 1182; Vecchia Deruta di Francesco Niccolai, Boccia Via del Artigianato 30, Deruta Tel: 075-971 0084. Deruta, A tradition of Italian Ceramics, Chronical Books, 165 pages \$35

Deruta 1550

how to spend it



Left to right: Tracy Mulligan's snail-like black collection featured patches of appliqué. Intricate silver mesh dress from Debra Milner's catwalk debut. Milliner Dai Rees' possum fur tunic. Lainey Keogh's jungle-inspired knits. Rabbit fur poncho with embroidered roses from Alexander McQueen. White dress with signature check from Burberry

Seasons change: easy come, easy go

Designers may occasionally depart for New York, but there is plenty of talent waiting to take over in London, as Vanessa Friedman finds during London Fashion Week

The Cassandra predicting the end of the London Fashion Week As We Know It were wrong.

Last Sunday the international editors and buyers were in their seats, including Anna Wintour, editor of American Vogue, who hadn't been at a fashion week here in years. Vidal Sassoon had renewed its £2.2m sponsorship deal.

And the invitations were flowing faster than the Thames: to the launch party for Bret Easton Ellis's fashion parody *Glamorama*; to the ultra-chic bash for Visionaire (the limited edition art "magazine" which goes for up to £160 an issue); to the fantasy reception at Christie's auction house held by Wintour and Natasha Richardson to launch the European leg of their sale of dresses from Academy Awards ceremonies, which benefits the American Foundation for AIDS Research.

Yes, it's too bad that Antonio Berardi is off to Milan to make his bid for the Versace market, and yes, it's too bad that next season Nicole Farhi, expert translator of all things trendy, is off to New York.

Yes, it will be sad if Hussein Chalayan, London's resident intellectual, defects to the same city as rumoured; his graceful "jackets" - deconstructed slices of the classic shape - worn over loden green turtle necks and straight ecru skirts were the definition of modern suiting.

And yes, it will be downright depressing if Alexander McQueen, Britain's brightest international star, is big Apple-bound next season.

To understand why, just consider last Tuesday's collection. Held in his usual venue, a car park in Victoria, in a 20ft high perspex-walled winter wonderland set with an ice pond, fake snow, and stands of bare trees, it was titled "The Overlook" after the hotel in Stephen King's novel *The Shining*.

But it was a kinder, more romantic shining from the utterly wearable and desirable loden cashmere blanket

halter dresses to the snowflake light sheepskin jackets and coats in delicate shades of cream and dusty rose (sometimes both, as with a grey rabbit fur poncho embossed with embroidered roses).

McQueen's masterful tailoring was on display, but the sharp edges had been sanded, as in Edwardian frock coats - grey flannel sweetened up with a pink pinstripe - flowing gracefully over easy trousers, and snug little jackets with a near-invisible peplum topping voluminous knee-length skating skirts, creating a quasi-New Look silhouette.

Frosting on the cake were extraordinary crystalline white dresses and skirt suits. If farwell it was, it was a sweet one.

But the creativity and independence of thought on display in McQueen's collection will not disappear with

trench coats and sheepskins in muted pumpkin, and classic Burberry check single-breasted wools - this time pre-treated with a translucent top layer to "age" the print.

More radical were sipped jackets and pants in a lilac space-age metallic fabric, and origami-esque tissue-paper skirts and dresses that seamlessly folded around the body to reveal multiple layers of different fabrics pressed and steamed together: a cream-coloured column over a Burberry-print wool over a white silk shirt, for example.

While ultimately there was no shock of the new, no frisson to signal a fashion event, there was a Zen-like sureness of touch and calm to the clothes that was effortlessly chic and non-dictatorial.

Indeed, many of the London collections displayed more than a hint of far east-

for a purist monk-on-the-mountain effect. Even Owen Gaster lightened his usual sharp-suited show with horizontally pleated black satin cocktail dresses that moved on the models like so many graceful fans.

There is no thesis without an anti-thesis, however, and alongside the high-minded Oriental theme ran an earthier aesthetic emphasising shades of olive green, rusty orange, aubergine, beiges and greys, and thick, enveloping knits, tweeds and felted wools.

Milliner Dai Rees, venturing into clothes for the first time, provided an expert distillation. Rees's show was a Celtic-inspired chorus of simple and flattering tweed dresses - sometimes with scarf-like panels cascading from a hip or a shoulder - as well as fan-like pleated cashmere separates, often adorned with possum-fur detailing and belted in tooled leather (New Zealand possum is a fur sanctioned by the World Wildlife Fund). It was luxury gone to ground: comfort clothes that worked on both the mind and body.

Meanwhile, also playing a jiggling peasant tune were Clements Ribetto, who reprised many of their best looks of seasons past, including embroidered tartans over striped cashmere skirts and colourful print devoré velvet dresses, while moving forward with a cream cashmere basket-woven skirt topped by a trim black jacket with "ironed" shearing collar.

Elspeth Gibson, too, sang a prairie ditty, trimming her signature velvet skirts with tiny tiers of ruffles, added drawstrings at waists and necklines, and puffed short sleeves for sweet appeal. Tanya Sarne at Ghost went pre-industrial, with Victorian blouses and quilted cotton wrap skirts.

Matthew Williamson, a favourite of the celeb set (his front row included Meg Mathews, Sadie Frost, Jude Law, and his muse, Jade Jagger - with daughters) was thinking peasant, too, although his seems to live in Mustique. One-shouldered

shocking pink silk circus dresses with embroidered stars in mid-winter? More successful were Hessian "rag" skirts that showed a glimpse of hot pink silk or yellow through their tatters, topped by chunky 8-ply cashmere knits.

Knit-wit Lainey Keogh, on the other hand, found her rustic inspiration in the forest, equipping her jungle girl with enveloping woody coats, metallic pink and gold fringed skirts, tightly knitted orange and green chenille sweater dresses, and zillion-skein silver gowns. If you want to be an Earth Goddess (and a tiny number of us do), look no further.

Whatever the underlying aesthetic, however, the one unifying theme of London Fashion Week was an emphasis on ease, so it was startling to re-enter the world beyond the tents (or the car parks and railway stations) and take a gander at the bevy of Academy Awards gowns Natasha Richardson has gathered for her cause.

In their sheer stiffness and formality, the way they seem made for an occasion instead of a woman, dresses such as Melanie Griffiths' black Emanuel taffeta meringue, Elisabeth Shue's gem-encrusted Cleopatra Badgley Mischka, and Elizabeth Taylor's bon-bon of a pink silk taffeta Nolan Miller resemble relics of another age.

This won't hinder their sale - indeed, it may help, as their worth lies in what they represent - but it emphasises the way clothes that reflect the time and the mood of their creation can morph from functional garments to cultural symbols in the turn of a season. It would have been impossible to imagine anyone at the Christie's party actually wearing those Oscar dresses (the Uma Thurman lilac Prada, and Clare Danes's Narciso Rodriguez are another matter).

The invitation read black tie, and some, such as Hugh Grant and Lord Snowdon, complied, but just as many read "be yourself"; thus Paul

Smith, in his signature jeans, could be seen chatting up Liz Hurley in her usual cleavage-baring Versace and Patrick Cox, in zip-up red jumpers checking out the orchid-festooned stairwell with Lulu Guinness in Vintage 1950s rose dress.

The clothes were of a piece with the atmosphere, which was about individuals celebrating fashion for its place in both the personal and public spheres. Not coincidentally, this was also the predominant message of the London shows: life, from dis-

ease to Y2K disasters, may be heavy, but what you wear needn't be.

As McQueen's invitation boldly read: "All work and no play makes Jack a dull boy." It's time for London to stop angsting and start enjoying.



Berluti
Rue de la Paix 190

FOOD AND DRINK

Why madeira can be such a saucy little wine

In spite of an old-fashioned image, this is one tippale that chefs really do rate, says Hugo Arnold

Madeira seems a complete enigma, the wine as well as the island. About 400 miles west of Morocco, the island is a pimple in the Atlantic Ocean. Its wine is given the sort of treatment that would make the vignerons of France weep into their berets.

For the less expensive madeira, they "cook" the wine - the *estufagem* - that is, they artificially heat it. Buy good madeira, however, and the wine will have been lovingly stored in the lofts of the wine lodges, where Madeira's sub-tropical climate is allowed to coax the wine gently as it sits in 600-litre pipes.

The smell of wine, heat, dust and wood was so soft and soporific that I could barely tear myself away. For the cook, and the imbiber, this madeira is nectar and has one secret attribute to recommend it above many other wines - stability.

You may well be looking anxiously at your post-Christmas leftovers but there is one wine you do not have to concern yourself over. I recently retasted a selection of madeiras that had been opened a year earlier and they were still delicious. As good as when they were first opened, according to Patrick

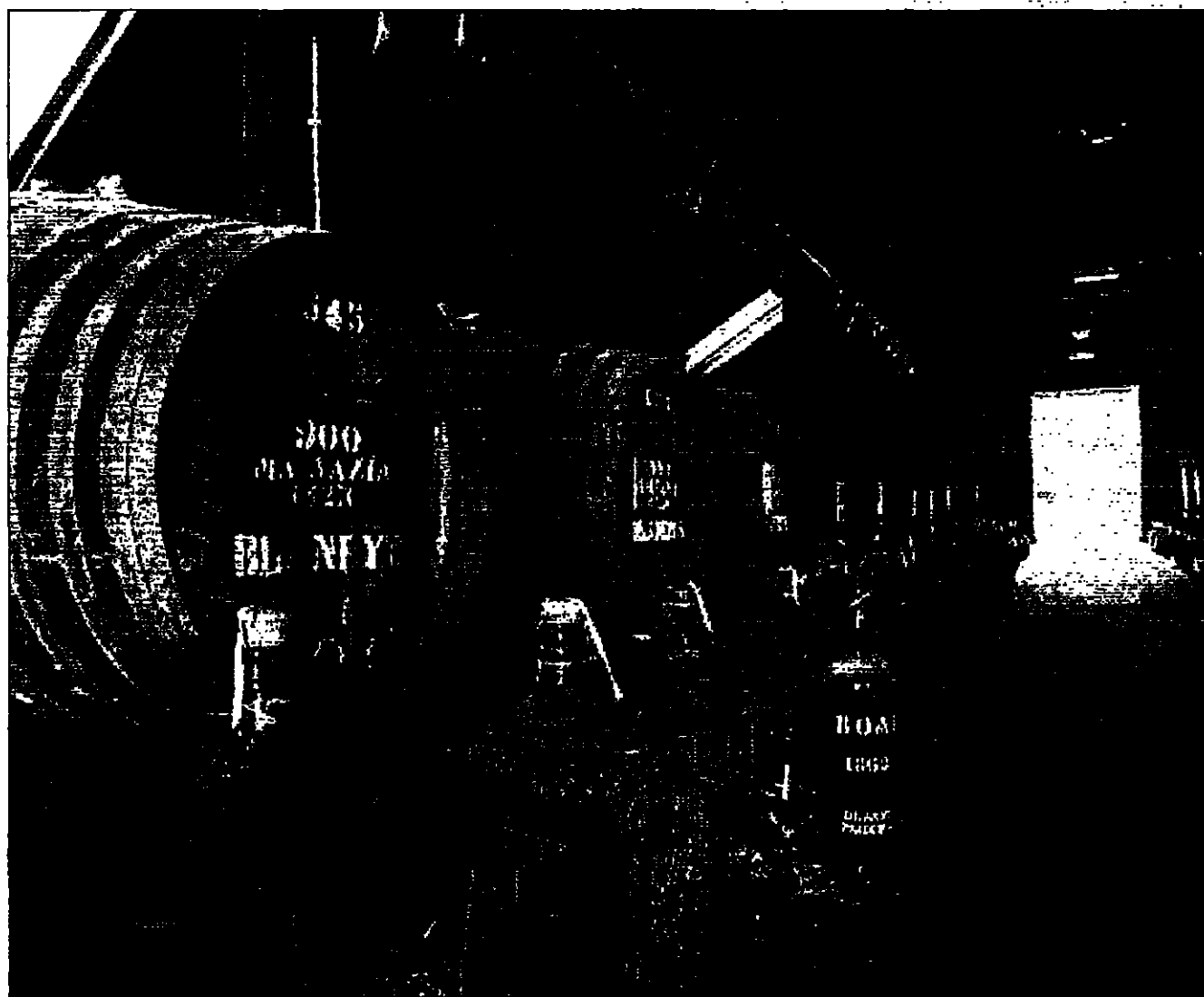
Grubb who imports vintage madeiras.

Madeira is almost impervious to ill-treatment. So much so, that shippers store the bottles upright, the risk from spoilage being greater than that of oxidation. For all its old-fashioned image, madeira is still much used by today's chefs. There is nothing to beat its full-bodied, rounded flavour says Henry Harris, chef at Harvey Nichols Fifth Floor in London.

You also need very little to make an impact, so one bottle tends to go a long way. You can buy exceptional madeira - for a price - but even basic brands are adequate, particularly if the plan is to use it in a stew or sauce, or even to warm yourself with a slice of cake after a walk. The question I wanted answered, however, was how the various styles and qualities of madeira worked in cooking.

Madeira is the key to a range of classic sauces, all derived from a basic *demi-glace*. Fine in a professional kitchen, I hear you say, but what about those of us who do not make stock?

The principles remain much the same: whisk a little madeira into a meat juice and, while you



Vats the difference: madeira is nectar and has one secret attribute to recommend it above many other wines - stability

may not have the power and body of a professionally prepared *sauce maderne*, the end result will have a rich, rounded, pleasant winey character, just the thing to have with your roast beef or veal, grilled lamb chop or sautéed chicken. Add a little truffle oil and you are on your way to a close approximation of *sauce périgourdine*; mustard, garlic and cayenne and you have near enough, *sauce catalane*; aspic and more truffle gives a close cousin of *chaud-froid brunoise*; and with horseradish, ham, pepper and

reducants you have *sauce napolitaine*.

You can buy three-year-old madeira for use in cooking, but Bill Baker, Courran's wine buyer, recommends five-year-old. If you are keen on a tippale while you cook, his suggestion is 10- or 15-year-old, the extra money ensuring that acidity and any coarseness is toned down.

To put his suggestions to the test and explore the different styles, I joined Henry Harris who had made up a portion of *demi-glace*. This was split into six

saucespan to which we added six madeiras, blind. The results were illuminating.

The better the quality of madeira, the better the sauce - up to a point.

Blandy's three-year-old Dukes of Clarence and Sussex produced a satisfactory, if rough and ready, sauce. In the case of the Duke of Clarence (rich, full-bodied and soft-textured, according to the company's information), the sauce was full-bodied, but with a slight unpleasant sharpness and aftertaste. Although the Duke of

Sussex (lighter, cleaner madeira with fresh flavour) had a dry finish, the sauce lacked richness.

My favourite two sauces were made with Bual, the first with a five-year-old from Henriques and Henriques, and the second with a 10-year-old from Blandy's. Both resulted in a rich, full-bodied sauce, well-focused and with a gloriously dry finish complementing the lip-smacking stock - just the thing to accompany a good piece of beef.

There was, however, little discernible difference between the

Main styles of madeira

■ **Sercial** is the driest, palest and most perfumed. It performs much like fine sherry, although with none of sherry's susceptibility to spoilage and is good with poultry and game, seafood and fish. A splash or two towards the end of cooking gives the finished dish a remarkable lift.

■ **Verdelho** is slightly sweeter with a hint of lime. It is grown on the north side of the island like Sercial, has a delightful smoky complexity, which is particularly good with beef and pork.

■ **Bual** has a marmalade tang of acidity which offsets its sweetness. Its raisin flavour is so effectively balanced by acidity that, to my mind, this brings just the right richness. For my money, this is the best all-rounder.

■ **Malmsey** is sweeter of all, lacking of brown sugar and plums but with a balancing acidity which makes it easy to drink. Its sweetness is balanced by the acidity but it is easy to overdose, use with care.

two, an argument, perhaps, for cooking with five-year-old, but drinking the 10-year-old.

Blandy's Verdelho (medium dry and five-year-old) also produced a delicious sauce with a delicate richness and dry finish. Finally, Blandy's 10-year-old Malmsey, wonderfully rich, full-bodied and in many respects the most typically madeira of them all resulted, not surprisingly perhaps, in a powerful, rich, sweet full-bodied sauce. But even best, Aberdeen Angus roasted on the bone was going to have a job standing up to that one.

Harris was quick to point out, however, that all the sauces tasted delicious and undoubtedly were much improved by the generous splash of madeira towards the end of cooking, of whatever variety. And what does he use? Until now, the medium-rich Duke of Cumberland from Blandy's but Bual five-year-old is on order. ■ **Blandy's and Henriques and Henriques madeiras are widely available in the UK. Call Patrick Grubb on 01663-340223.**



Pierre Koffmann of La Tante Claire: although you may sense the man's presence in the new restaurant, there is really no one of stature in the dining room

RESTAURANTS

Look back with nostalgia to 'old' Tante Claire

Nicholas Lander thinks there's a lot more room for improvement at what used to be one of London's culinary gems

Strange things happened during dinner at the "new" Tante Claire in the Berkeley Hotel, Knightsbridge, London. Just after sitting down, a woman walked past our table and whispered conspiratorially: "I have just had the most fantastic meal ever."

For 15 years, in Chelsea, Pierre Koffmann's Tante Claire had been one of the capital's culinary gems. In November, for personal and commercial reasons, Koffmann decided to move, and opened his new restaurant under the aegis of the Savoy Group at one of its

most prestigious hotels. Strange, even stranger, half an hour later, a man walked in carrying a bottle of Tabasco sauce and ate his dinner using his own chopsticks while wearing an old-fashioned napkin clip. As if that were not

enough, the knowledgeable French *sommelier* said he would love to have more non-French wine on the list and confessed that his favourite grape was California's Zinfandel.

La Tante Claire's name and menu may not have changed but, perhaps more importantly, all those intangible but vital ingredients which make a visit to a restaurant special seem to have gone.

Around the world top chefs are being wooed by top hotel groups and, although Koffmann seemed for some time to be relishing the role of reluctant bridegroom, he eventually said "yes".

The "old" Tante Claire used to close on Saturday evenings so chef-proprietor Koffmann could watch rugby, a sport that courses through the blood of men from south-west France. Crucially, for any food lover, Koffmann's food was equally forthright: glistening scallops on a bed of the blackest squid ink; pigs' trotters stuffed with morels aside pyramids of the creamiest *pommes purées*; salmon cooked to a crisp in goose fat and the lightest of soufflés. It was, simply, an oasis.

Although the new restaurant has its own entrance, it is very much part of a busy hotel. Its ability to cocoon you through lunch or dinner, to convince you that temporarily you have been whisked off to south-west France, has evaporated. Walk past the bar en route to the lavatories or the telephones and you are in a smoke-filled bar crammed

with mobile phones and their owners.

Nor does the restaurant's interior convince. At night, the lighting is almost aggressive in the main room, thanks to two particularly ugly chandeliers.

Yet, like so many, I visit La Tante Claire to eat, and over two meals there, three of 11 dishes were stunning, including the scallops with squid ink. The other two were first courses. The first, a special of the evening, was a big piece of *foie gras*, poached in a *pot au feu* with

its ability to cocoon you through lunch or dinner, as if whisked off to France, has evaporated

vegetables swimming alongside generous slices of black Périgord truffle. A creamy truffle soup, with a mousse of Jerusalem artichokes, was every bit as good as anything I have eaten in any top French restaurant.

However, there were problems with the main courses, largely an imbalance in how they were constructed and served. The first was too salty; heavily reduced sauces made otherwise lip-smacking beef cheeks too acid to finish.

Too little attention had been given to the role of vegetables and salads accompanying the main courses. Restaurant-goers tend to be

much more interested in vegetables than the average French chef.

While the French custom at this level is to provide one perfectly chosen vegetable or potato accompaniment, Koffmann seems to have been sidetracked into the modern practice of providing an ill-assorted combination that adds nothing to a particular dish. This was the case again with the beef cheeks, where a crisp green salad would have been a better choice than carrots and mushrooms. There was a lack of distinction, too, in the desserts.

What has most irrevocably changed about La Tante Claire is its size. It is no longer the intimate dining room seating 42 - but two much larger areas that seat 60. Although staff numbers have doubled, it is a numerical doubling rather than a qualitative one. Bread came without butter, when the *vacherin* was served the waiter did not know how to cut it or serve it properly.

Finally, although you can sense Koffmann's enormous presence, there is no one of stature in the dining room. These days I feel it is better suited for a business lunch than a romantic dinner.

With time and hard work this could change but it was my second visit there, and I felt keenly nostalgic for the old Tante Claire.

■ **La Tante Claire, Wilton Place, London SW1X 7RL. Tel: 0171-323 3003, fax 2001. Lunch menu £28.50. A la carte £60. Closed Saturday lunch and Sundays.**

APPETISERS

Lunch with FT celebrities raises £50,000 for charity

■ The FT's first Lunch With a Celebrity, which offered readers the opportunity to bid for a lunch with a range of personalities, has generated £50,000 for Save the Children.

Readers put in bids for celebs including Alastair Campbell, prime minister Tony Blair's chief press secretary; prima ballerina Doreen Bussell; television journalists and presenters Michael Buerk and Trevor McDonald; and human rights lawyer Baroness Helena Kennedy QC.

The FT's usual discretion, as well as politeness, means that the name of the individual who received the highest bid must remain a secret. However, I am reliably informed - although even I do not know the value of any of the specific bids - that there were several of about £5,000 and the lowest was about £1,000.

The more complicated task of liaising between the successful bidders and the personalities - both sets of people seem to have very busy diaries - is under way.

On behalf of Save the Children and the FT I would like to thank all those who took part - those who bid for their generosity, the celebrities for giving their time.

To this sum will be added the money generously left in the Save the Children envelopes during our popular Lunch with the FT promotion in the UK. This amount, as well as the restaurant league tables in the £5, £7.50 and £10 price categories, and the winners of the individual waiter and waiting team awards, will be revealed in the Weekend FT on Saturday March 13.

Nicholas Lander

■ High drama is more often associated with the Savoy Theatre than the Savoy Grill but, from March 1 to 6 inclusive, theatrical performances will be staged nightly at the Savoy Grill - and an appreciative smacking of lips, if not clapping of hands, is expected.

For just one week the spotlight will fall on Challandais (once known as Nantais) Duck starring in the now rarely performed role of Pressed Duck. This stylish dish, which dates from last century, is also known as Caneton Tour d'Argent, since it is a specialty of the Michelin two-star Parisian restaurant, La Tour Caneton is

sending over its own canardiers for the occasion. They will carry out the flamboyant tableside skills required to finish the ducks, once Simon Scott, the Savoy Grill's head chef, has presented them with the beautifully part-roasted bird.

The legs are severed and returned to the kitchen for grilling and serving with salad afterwards - an epilogue or curtain call encore, so to speak.

But first the *canardier* skins and slices the rest of the duck, and sauces it slowly and magnificently with brandy, madeira, the finely crushed duck liver, lemon, duck consommé, and the blood and juices extracted from the carcass by crushing it in a special press. Bookings are essential. Tel: 0171-420 2066.

Philippa Davenport



■ The 1837 Restaurant in Brown's Hotel, Albemarle Street, London, is the scene for two rare wine tastings beginning at 6.30 on the evenings of March 5 and 6 and conducted by Olivier Humbrecht from Alsace together with Alain Brumont from Madiran, Gascony.

On each night, the two winemakers will lead the audience through a tasting of eight to 10 vintages from their most distinctive vineyards and that will be followed by a three-course dinner with their wines. Tasting only £15; tasting and dinner £70. For reservations call 0171-406 1837.

Jancis Robinson

■ And although FT columnist Jancis Robinson is far too modest to say so, she has been named Woman of the Year by Decanter wine magazine in its March issue. Susan Keovil, Decanter's editor, said: "The key criterion for making the award is 'has this person made a difference to the world of wine?' and with Jancis Robinson the answer is a resounding yes."

For raising the profile of wine, demystifying it,

bringing an understanding of any aspect from the obscure wine-making term to the most intricate Chardonnay personality and the most far-flung vineyard, Jancis's energy and passion for her subject has ensured that a knowledge of wine can be available to everyone, not just the elitist few.

Jill James

■ The Renaissance of Borough Market, near Southwark Cathedral in south-east London, a location for a food market since Roman times, continues with the opening last week of Fish!, a restaurant in what was formerly a Victorian pavilion.

Fish! is part of the group which also runs Cutty's, the capital's largest fish wholesaler, and offers an uncomplicated menu. You may choose from more than 20 different species as your main course, decide how you would like them cooked and choose any one of five sauces from hollandaise to salsa. There is also a fish shop next door.

□ **Fish!, Cathedral Street, London SE1 9AL. Tel: 0171-836 3236. Closed Sundays.**

■ Want to impress your partner with a knowledge of Japanese when you pitch up for your next meal of sushi? The *Sushi Menu* is a pocket directory in six languages (English, French, German, Italian, Spanish and Portuguese) which tells you how to order, what you get when you have ordered (there are pictures) and, for complete beginners, how to hold chopsticks properly. Published by Cross Media, it costs £4.99 (¥1,200) and is available from bookshops.

■ The successful London-based Belg group opened last month at 415 Lafayette Street (West 4th St) in Manhattan. Belg, Nieuw York, like its British counterparts, aims to offer authentic Belgian food in a contemporary setting. It will sell more than 100 beers, genever and schnapps, its famous moutons-frites, Flemish beef stew and lots more.

Last week in London, Belg opened its Bierodrome in Upper Street, Islington, with more than 200 beers imported from Belgium. Tel: 0171-226 5835. Open from noon until 11pm on Monday to Saturdays, noon until 10.30pm on Sundays.

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FOOD AND DRINK

WINE JANCIS ROBINSON

Getting to grips with a grape's true fruit character

Retailers involved in the Wine Relief fundraising drive show wide variations in what are intended to be 'typical' rather than 'mainstream' wines



When Wine Relief, the British wine trade's fundraising initiative for Comic Relief, was dreamt up, it was seen as a way of encouraging people to learn about wine while raising money for deserving, if often unsexy, projects in the UK and Africa. The Wine Relief book on general release, a basic guide to wine for £1 called *The Good Ales*, sets out how people can organise fundraising wine tastings in the

comfort of their own homes, clubs or workplaces.

The big wine retailers in the UK, that is the supermarkets plus a handful of chains, were asked to nominate specific wines that would be particularly suitable for these tastings and it is fascinating to see how their approaches vary.

Tasting these wines reminded me what a vast difference there can be between a wine that is

typical and one that conforms to the mainstream. And of course with these wines for tastings, we are looking for the former. Take Sangiovese, the defining grape of Tuscany, for example.

Majestic, which has some excellent printed back-up material for these tastings, is suggesting its Chianti Gradi 1996 at £3.99 – a good price for a simple, young wine that perfectly demonstrates the rather rustic

farmyardy character of this grape when left to its own devices, as does Waitrose's Sangiovese di Toscana 1997 from Cecchi, also £3.99.

Both these are delightful, simple, textbook examples of an important grape, which are thoroughly educational but probably more difficult for many wine drinkers to appreciate than the standard, oak-chipped, ultra-fruity New World reds that

dominate British shelves today.

It is clear that to get to grips with the essential fruit character of a grape variety it can be an advantage to go for the usually cheaper option of an unadorned example.

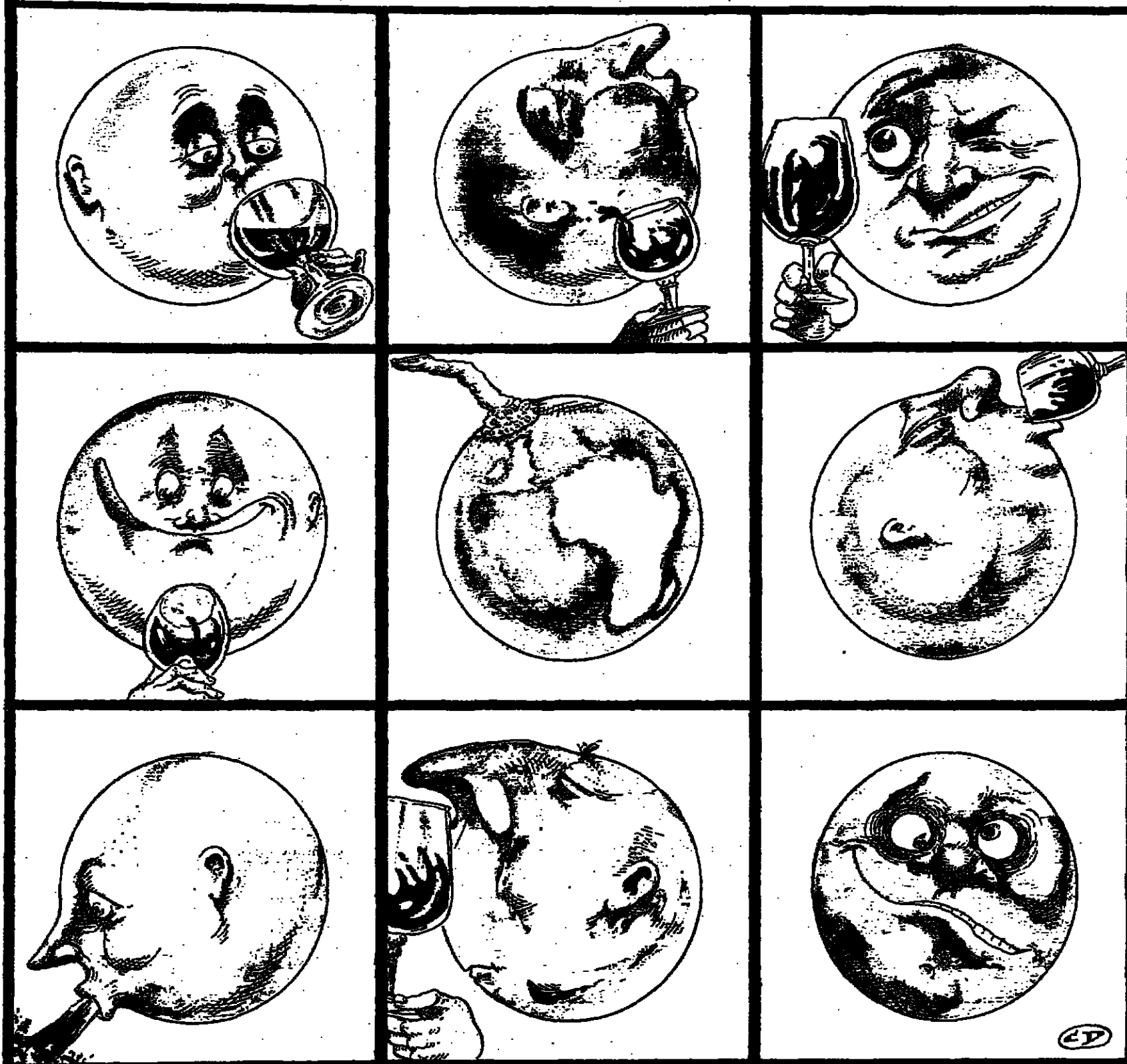
In fact, this tasting of the retailers' specific offerings revealed several real bargains.

My selection of perfect examples of key grape varieties (as specifically selected by

retailers for Wine Relief) appears below, although it is clear that inexpensive true Pinot Noir is effectively an oxymoron. Pinot is just plain finicky.

And, oddly enough, the other grape for which it is difficult to choose a seriously good, representative example is another Burgundian, Chardonnay.

Inevitably, no retailer has a monopoly on the finest examples, but if I had to choose one from which to buy for these tastings, I would choose either Tesco, which seems to have managed a high strike rate for true-to-type exclusivities at a keen price, or Waitrose, which has clearly put in an exceptional amount of effort (as one would expect of a company so thick with Masters of Wine) to find seriously true examples and hang the expense.



Perfect wines for a varietal tasting

■ **Sauvignon Blanc** – Villa Maria Private Bin Reserve 1997 New Zealand, £5.99, Victoria Wine. Lots of that piercingly bright, crisp Kiwi fruit gooseberries rather than asparagus.

■ **Chardonnay** – Robert's Rook 1997 South Africa, £3.99, Waitrose. There, at a bargain price from the massive KVV operation, is a fairly lightweight but well-balanced blend of all the features that characterise modern chardonnay: a hint of the buttery anise of malolactic fermentation, apple crispness and medium weight melon-like fruit in the middle. Try Lindemans Bin 65 Chardonnay 1998 Australia £4.99 (Safeway, Sainsbury and many other stockists) for the archetypal gutsier Australian version.

■ **Riesling** – Carl Ehrhard Rheingau Riesling 1997 Germany, £4.99, Tesco. *Vorsprung Durch Riesling*, says the back label, and this is a really lovely example from Germany's answer to the Médoc with lots of true, lively, unutilised-by-sulphur, fragrant fruit.

■ **Semillon** – Ch de Sours Blanc 1996 Bordeaux, £3.99, Majestic. Green fruit flavours, lively, tangy and simple. Much better than the average bordeaux blanc. Majestic had to buy this in specially but are rather surprised by its quality for the price.

■ **Chenin Blanc** – Anjou Blanc, Ackerman 1997 Loire, £3.29, Waitrose. Open, clean, pure example of chenin in its homeland: honey and straw flavours from yet another great Loire vintage.

■ **Pinot Noir** – Louis Jadot 1997 Burgundy, £7.99, Thresher, Victoria Wine, Wine Rack, Bottoms Up. Definite pure French Pinot character – closer to raspberry than the bestroot that so often characterises New World Pinot. Try Cono Sur 1997 Chile, £4.99, Waitrose and Tesco for a cheaper, less classic example.

■ **Merlot** – Felszer Eagle Peak 1997 California, £5.49, Thresher, Wine Rack, Bottoms Up, Victoria Wine. From the home of Merlot-mania, messy, almost bloody, plump fruit with a slightly herbaceous note at the end, or try virtually any Chilean Merlot (although, as outlined on these pages, it may be another variety, Carmenère).

■ **Cabernet Sauvignon** – Robertson 1997 South Africa, £3.99, Tesco. This is textbook unadorned Cabernet fruit from Excelsior estate, a mixed farm with a passion for fruit flavours in the Robertson district. A bargain that could easily be drunk without food.

■ **Syrah** – Comtes 1994 Rhône, £3.99, Tesco. This indisputably true, mature black peppery Syrah comes from the renowned co-operative at Tain l'Hermitage and, because of its price and unusual (for a supermarket) antiquity, I suspect it may be difficult to track down. Try the biggest, smartest Tesco you can find.

■ **Shiraz** – Wynns Coonawarra 1996 Australia, £5.99, Unwines. Although Oz Shiraz is technically the same grape as French Syrah, the styles are completely different. Unwines has knocked a pound off the price others are charging for this deep, dense, lively Australian example thick with dark chocolate notes, which makes it a particularly good buy.

■ **Tempranillo** – Valdeuero Fibra del Duero Crianza 1995 Spain, £5.99, Tesco. Lots of American oak on this but underneath there is the full panoply of tobacco leaf flavours and the characteristic crisp acidity and deep, healthy crimson.

■ **Sangiovese** – Sangiovese di Toscana, Cecchi 1997, £3.99, Waitrose. Very true, accessible, unadorned example that is surprisingly appetising despite its vaguely farmyard character.

■ **Pinotage** – Clos Malverne 1998 South Africa, £5.99, Waitrose. Densely packed milk chocolate flavours, substantial body and concentration.

Out of sorts with in-flight catering

Several international airlines are upgrading their menus. Giles MacDonogh logs some personal culinary high points as well as the low ones

I once ate first class on Qantas. The meal had its ups and downs. There were Lebanese mezza: a rather mixed bag, with some of them a bit cold and congealed; a mildly garlicky gazpacho with a very rigid king prawn floating in the middle; and a lobster with Jersey royals, and a tomato and leek sauce that might have benefited from a bit of butter.

The high point for me was a *panna cotta* with an apricot compote. As it was still only lunchtime I waived aside the wines, but noticed several good things there, not just Australians, but other palate ticklers such as Krug champagne. It was the first time I had experienced "real" first class. Sad, then, that we never took off. I remained rooted in Hutton Cross, a place best described as a suburb of Heathrow. For many airlines it is also the home of their in-flight catering companies. After lunch I travelled home, distinctly third class, on London Underground.

Like a number of other airlines, Qantas has been upgrading in-flight catering. It has brought in Nell Perry, chef-proprietor of the trendy Rockpool Restaurant in Sydney, to design the menus and ensure there are proper seasonal variations with plenty of fresh fruit and vegetables.

While you may have seen

the names of media chefs attached to your in-flight menu cards before, Qantas assures me that Perry's contract was different. Where other chefs merely write out a few recipes and carry off their fees, Perry is following through by training the caterers to cook the food and the flight personnel to plate and serve it.

I spoke to Jan Dawood from Qantas about how food was perceived in the air, and why it was not possible to eat as well in first and business class as in an upmarket restaurant. In the air, he said, you taste only 75 per cent of what you enjoy on terra firma. Taken to its logical conclusion, that should mean strong flavours and lots of spice, rather than the slightly bland food – and wine – one has grown to expect from airlines.

In answer to the second question, Dawood was honest but pessimistic. He reminded me of the one time I went round an airline kitchen in Singapore. Everything was cooked in advance, chilled, then taken out to the aircraft. If you were lucky, it was served on time and not subject to air-traffic delays.

It was then reheated in a conventional oven on board (microwaves interfere with flight systems). There was no place even for the sort of wizardry you would find in a "modern British" kitchen.

The customer apparently wants to eat on board and eat well. The airline decides what he is going to have and takes the menu to one of the airline catering companies in Hutton Cross or its equivalent around the world. The reason one airline's food is notably more palatable than another is down to the cater-

ing managers, their taste and vision. Whatever they want, catering companies will provide.

Now, I have said I have never flown first class, by which I mean in an aircraft divided into three compartments. I have travelled many times in business or club class, call it what you will. In recent years, I have been increasingly impressed by the American carriers, especially on transatlantic routes, and disappointed by British Airways. American Airlines seems to pride itself on its wholesome salads, while Delta refreshes you with a glass of Taittinger's 1990 comtes de champagne while handing out menu cards and lists with impressive French and Californian wines.

Some airlines are positively known for their food. When I travelled on Singapore Airlines I flew steerage, but the staff considerably sent down a club class meal for me to try, as they were proud of what they could do within the restrictions

third from the bottom for its catering in steerage, which accounts for 86 per cent of the flying public).

One small airline that has always excelled is Laudis Air. Its food is prepared in the kitchens of Do & Co, Vienna's nearest equivalent

In recent years I have been increasingly impressed by American carriers and disappointed by our sainted national carrier

imposed by on-board catering.

On Virgin I have generally eaten well. A recent Egon Ronay survey, commissioned by the Compass Group, puts it top for the transatlantic route (with British Airways

to the Conran Group in London. On the way to Salzburg a few months ago I ate a delicious *Butterschneitzel* with mashed potatoes. On the way back I was offered fresh, seasonal Marchfield asparagus, mixed green and white.

For non-asparagus eaters there was spaghetti with seafood, also an unconventional choice for an airline.

The drawback on Laudis is the small size of the aircraft and its cramped seats. I enjoyed my meals, but not the presence in both my place and his of a sweaty, overweight Austrian with a runny nose. I caught his cold. I only shed the cough about a month later.

Laudis tries to serve Austrian food. Flying the culinary flag is not as fashionable as it was. Poor, beleaguered Air France and Alitalia can still get away with it, but the rest of the pack cannot wait to shed their roots in favour of multiculturalism.

That British Airways should serve a curry on its

Indian routes is wholly understandable. What is less easy to excuse is that the food, which comes on at Delhi on the overnight Calcutta flight has distinctly more flavour than the stuff cooked in Hutton Cross.

In general, British Airways seems to suffer from a lack of direction in its catering department. The last aircraft I caught that actually took off was to Glasgow and back. In the old days shuttle passengers got a mixed round of sandwiches, a strange pastry cup filled with tuna goo, and a scone with Devonshire cream.

With a whisky (the thin *négoctant* claret has never been drinkable), this was an ideal snack. I can't believe many short-haul passengers see airline food as a replacement

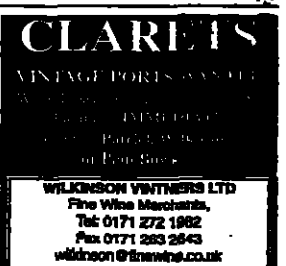
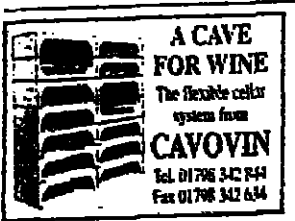
ment for a meal on the ground. Most eat before they leave or when they arrive.

Since then all sorts of replacements have come and gone, from Scottish salmon to evil-smelling beef stew. Last time it was a sort of pizza with a prawn salad, dressed – and this was a marked improvement on the sugary offerings of the past – with a tiny bottle of Italian olive oil mixed with *aceto balsamico*. I have every confidence we will go back to the sandwiches before long. Indeed, the diamond service on British Midland offers nothing less if you travel in the afternoon – then they throw in some edible cream cakes.

BA's perpetual tail-chasing also led to a bunch of media chefs being commissioned to write menus for club class flights a few years back. It was about that time I had my nastiest meal on any flight. I was presented with what appeared to be braised chicken with small cubes of waxy potatoes. I put one of these into my mouth: it was no potato, it was a piece of mango.

I do not remember now who was responsible for this horrible idea, but I do recall my conversation with the steward, who told me that no one had ever complained about the dish before. BA never responded to my complaint.

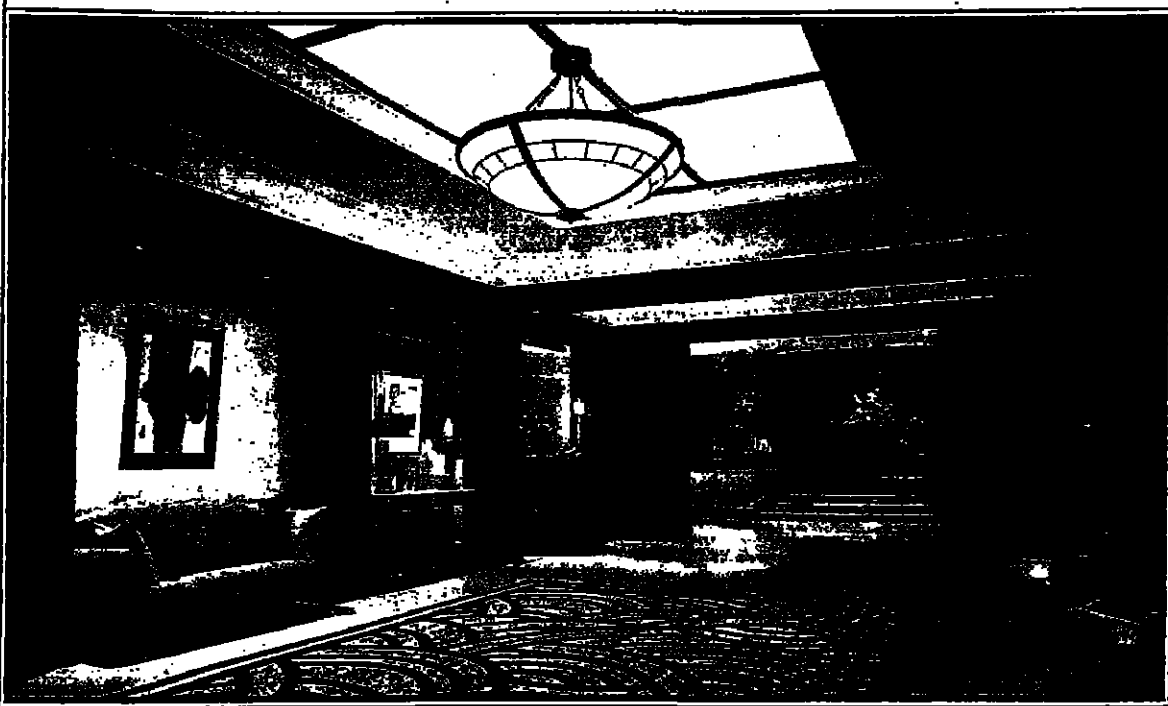
I am delighted to add, however, that I have not seen chicken and mangoes on the menu since. I am sure Qantas would not do anything nearly so silly.



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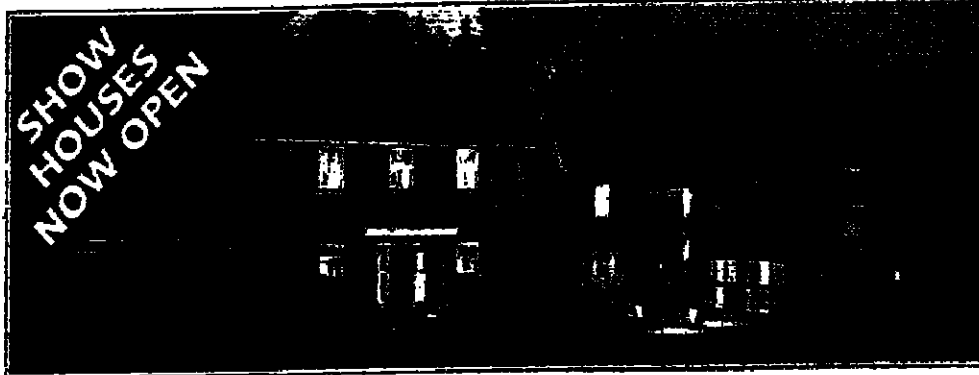
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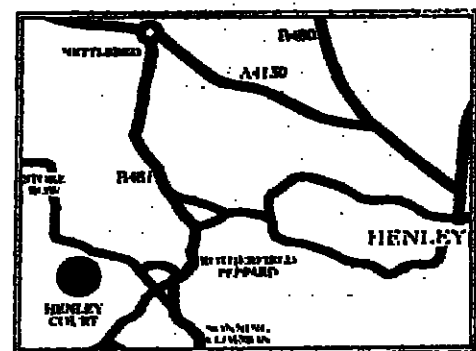
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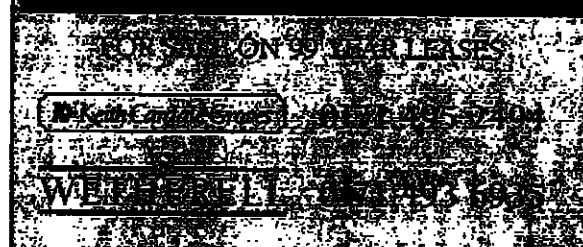
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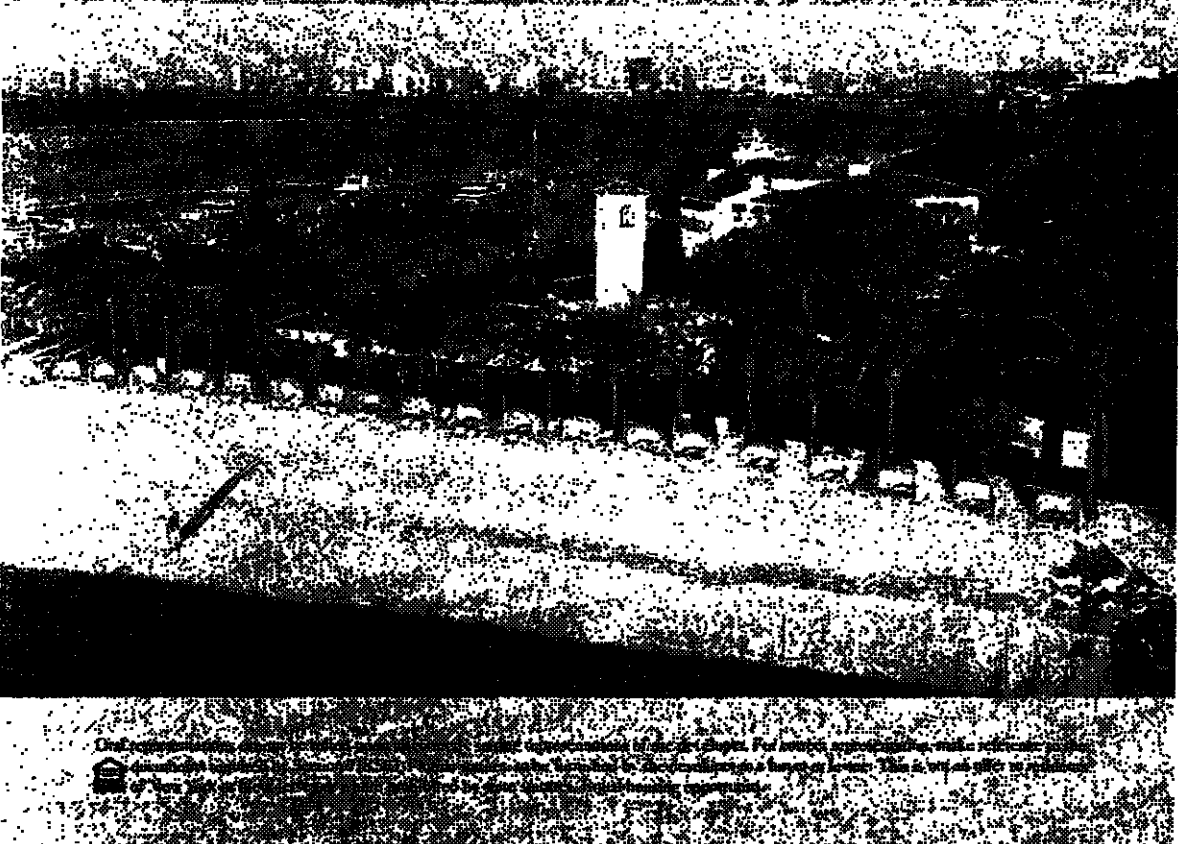
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Saturday March 27

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PROPERTY

And baby makes Linleys give up the loft

Impending parenthood spells the end of open-plan living. Anne Spackman reports

After spending up to a year converting an industrial shell into a habitable home, many loft pioneers find the project has become their baby. They then discover there is little room left for a real one.

And so parenthood is now the main driving force behind sales of original loft conversions. David Salvi of Hurford Salvi Carr in Clerkenwell has watched a succession of owners give up their industrial spaces for the world of gardens and aqueducts.

"The trend began last year," he says. "People find they outgrow their lofts when they have children. It's the main reason for moving out."

Lofts suffer more disadvantages than normal flats when it comes to coping with children. Open-plan living makes it impossible to seal off the equipment and mess a baby brings. Wooden floors are not ideal either for parents desperate not to wake a sleeping child.

Marc and Amanda Rowlands, two lawyers living in Clerkenwell Green, discovered the limitations when their first child was born last year. Their 1,000 sq ft flat, designed by the fashionable architectural practice of Paxton Locher, could not be adapted for family life.

"The flat isn't minimalist in that extreme sense, where even people look as though they are cluttering the place

up," Marc says. "But it was designed as a bachelor pad. There were no spaces built in to take Babar posters."

Like most lofts, theirs is in an area in which it is easier to buy sushi than nappies. With a second child on the way they are leaving for the more parent-friendly pastures of Chiswick in west London.

Also accepting the inevitable are Princess Margaret's son David Linley and his wife Serena, who are expecting their first baby later this year. Imminent parenthood has prompted a thorough clear-out of the Linleys' property portfolio. The villa in Musique, inherited from his mother, Princess Margaret, went on the market last month; now the London loft is going too.

It is situated in the "Trafalgar" enclave of The Village, the smartest of Battersea's loft developments. The car park boasts the odd Rolls-Royce in among the retro Mercedes and BMWs. A Linley relative lives in the loft below.

Ivor Dickinson of Douglas and Gordon, one of the agents selling the Linley flat, says lofts are invariably bought by people with money and taste. "They are almost always spectacular," he says.

The Linleys' loft certainly fits this category. It takes up the entire top floor of a converted school, covering nearly 4,000 sq ft. That is the



No room for a little one: David and Serena Linley and the jaw-dropping, 60ft-long main room of their loft

equivalent of two traditional London townhouses.

What makes it exceptional is the combination of vast space with a warmth normally associated with more conventional homes. This is partly the result of an interior designed to make the most of the 30ft ceiling heights where appropriate, but not afraid to lower them to create more intimate spaces.

When the Linleys bought the apartment it was a series of cold, white-painted brick classrooms, used chiefly for science lessons. They celebrated their purchase with a

dinner party lit, out of necessity, by candles and warmed by a vast industrial heater.

It took a year of peeling off paint, extending windows, moving doors and radiators, lowering ceilings and building cupboards to create the finished home.

Linley himself did most of the design, from the architectural work down to ordering the keys for one particularly fine set of early 19th century cupboards. Some of the fittings were salvaged from skips; others from his relatives' castles. Before and after pictures can rarely have been so contrasting.

The effect is sumptuous. An elegant hallway - normally rejected by loft devotees as a waste of space - creates a backbone along the building.

Painted in rich terracotta and saffron and trimmed with a deep cornice, it is a striking contrast to the 60ft living area on one side.

When Linley first showed his father, Lord Snowdon, around, he used the tactic now adopted by his agents. He deliberately led him via the hallway and kitchen first, before opening the doors on the jaw-dropping main room. It is so large that

a grand piano is barely noticeable under the staircase leading to the gallery.

Apart from the living space, the loft consists of a large eat-in kitchen, with cherrywood and teak cupboards, a master bedroom suite with dressing room and bathroom and a separate guest room and bathroom - which could be home to the baby if necessary.

There is one last room, a small, but perfectly formed laundry, which, Linley remarks, "reveals the German side to my character". Linley says he and Serena have had a great two years

in The Village. "We've had lunches and dinner parties for 30 people. There have been some amazing times."

He is open-minded about the kind of home they might choose next. "I used to live in a prison, (a former women's penitentiary in Ealing), now I'm in a school. I guess it's got to be a church."

At the moment Linley is leaving the looking to his buying agent from Property Vision until the Battersea loft is sold.

With an asking price of £1.4m, there has already been one offer before the

property officially came on to the market. The Rowlands in Clerkenwell have also had several offers on their loft, priced at £385,000 - all from childless couples, of course.

Anyone who wants to get in early on properties like these might find that London's smartest ante-natal classes offer one of the best starting points.

■ The Linley loft is for sale through Chesterfield: 0171-551 5234; Douglas and Gordon: 0171-720 8077; and Cityscape: 0171-299 4350. The Rowlands' loft is for sale through Hurford Salvi Carr: 0171-250 1012.

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OUTDOORS / PROPERTY

GARDENING

Early dose of spring fever

The RHS February show is as brilliant as anything on display at Chelsea, says Robin Lane Fox

Sometimes in our imaginations, a door opens, the setting changes and suddenly the world is pitched into sunshine and spring. It happened in children's literature when the White Queen died and old Narnia emerged from C.S. Lewis's winter. It happened to me recently in the cinema when we were transported from the rain into *Enchanted April*. For hundreds of keen gardeners, it happened last week in real life at the best of all London flower shows, the Royal Horticultural Society's February display of accelerated spring.

Away from the gales and rainfall, the nurseryman can persuade us that everything is bright, clean and beautifully prolific. These early shows take us out of ourselves and into the world of winter gardening as it should be, a world where the flowers of the camellias are never browned and where the mimosa breathes clouds of yellow beside carpets of clean narcissi and irises are out of reach of mud.

It makes me willing to believe for a few happy hours that the world outdoors is show within. These shows are times of fantasy and persuasive demonstrations that we, too, could perhaps have early magnolias in flower beside the best of the hellebores.

These exhibitors so early in the year are just as brilliant as any at Chelsea in three months. It seems so easy to have pale yellow-flowered Corylopsis in perfect flower for mid-February when it will seldom open outdoors before late March. At close quarters, the catkins on the exhibits of tall willows can be admired in detail, days before they are visible in the garden.

This year, the February show offered a chance to see a neglected family at its best. Many of you may grow a Hepatica or two, those little flowers of early spring which were

once confused with anemones from which they differ by having three small bracts of green below the flower. They prefer to grow in shade and they do not mind some lime, especially if they are standing in a leafy, damp soil. They seldom appear at flower shows, but here they were, magnificently displayed by Ashwood Nurseries of Greenstowe, Kingswinford, West Midlands.

The management has already dazzled us in recent years with its displays of winter cyclamen, wonderful hellebores and special Lewisias. No sooner has one group been mastered than the prize-winning team of John Massey and Philip Baulk go on to another. It is now the turn of the Hepaticas; they have brought to our notice some very fine hybrids.

We all know the problem of small hardy iris which split into non-flowering little bulbs after a year or two. They last much better at a greater depth in heavy soil

Hepaticas grow in the wild in Japan, North America and Europe, but few of us can claim to have seen so many in one concentrated display. Gardeners will find the European Hepatica transilvanica from Romania and Hepatica nobilis to be the easiest to please. In fact, they are so compatible that they have crossed in the wild and produced Hepatica media hybrids, some of which have been selected and improved into stunningly good garden plants.

Thirty five years ago, I grew one of the best while I was still a schoolboy and wished that I had never left it in a previous garden. Hepatica media Ballardii has attained an almost mythical status, and it is frequently offered in forms that are not the real thing. Very few plants still survive, and you will notice at once by its

wonderful sky blue flowers which stand well above the leaves and radiate good health. It first burst on an amazed public in the 1890s, since when we have almost lost it. The exciting news is that a garden in the Vale of Evesham has now come up with another such hybrid, known as Harvington Beauty which is almost as good as its predecessor.

Ashwood does not send plants by post, but its nurseries are worth anyone's while to visit; there you will find more good plants of Hepaticas than anywhere else. I am the happy owner of a Harvington Beauty which is said to be "superlative as a ground cover plant in shady conditions".

It is not at all difficult so long as it does not stand in full sunshine. In shade, it will tolerate a dryish soil in

summer, like its other relations, but we are recommended to dress it with fish, blood and bone in February. Ashwood is planning to team up with a leading Japanese grower and amaze us all even more with a display of the Hepaticas which Japanese enthusiasts grow in clay pots, just as British gardeners like to grow artemisas.

While they prepare this next act in the drama, I am happy to mix their display of existing Hepaticas with the surrounding small bulbs on show from similar experts in an inspiring range of varieties. The early narcissi are spectacular at these early shows, especially the varieties called Topolino and Rip van Winkle, beautifully shown by Broadleigh Gardens of Bishop's Hull, Taunton, Somerset, which will sup-

ply them in the autumn for easy cultivation outdoors.

Snowdrops, of course, were also widely in evidence, but my attention went especially to forms of small iris which have been developed without much publicity and are best seen in the Fantasy setting of a February exhibit.

The past masters here are Potterton & Martin, Moortown Road, Nettleton, Calster, Lincolnshire, which is such an expert source of unusual small bulbs and alpine plants. It walked away with a gold medal, but my interest was particularly caught by the developments in the small bulbous irises, relations of the wild iris histerioides.

About 15 years ago, a new cross appeared called Kathleen Hodgkin with flowers of a stunning combination of grey blue and acid yellow with accompanying spots. It has now been upstaged by two others whose flowers are even clearer and brighter. Frank Elder and Sheila Ann Germaney, both of which are new to me. Their growers find them easy enough and excellent value for pots in a cold house. They have an obvious future when they are propagated and distributed and we should all be on the lookout as they start to enter British bulb lists.

As for the ever-multiplying range of iris reticulata varieties, Mr Potterton gave me the useful advice that we should plant the bulbs rather deeper than the books tell us, down to six outdoors in soil which is not too dry. We all know the problem of these small hardy iris which split into non-flowering little bulbs after a year or two. In his view, they last much better at a greater depth in heavier soil.

Among the fantasy clouds of tender mimosa and pale camellias from sheltered Cornwall, this advice may help us with at least one little corner of reality outdoors.



Iris Frank Elder (left): look out for this bright flower when it is propagated and distributed. Hepaticas (right): a neglected family now more widely available



Solid comfort: the Romans were first to appreciate the attractive setting Rowley now enjoys

ON THE MOVE

Life of luxury on the farm

Gerald Cadogan says prices are high when the property is 'residential'

Vendors and their agents are still asking heady prices for farms and estates, even though UK farming is in the doldrums and land prices are falling.

Prices are being kept high by the value of what is called a "residential farm", especially if it is in the English home counties. This is the term agents use for farms and small estates on which profitability as a working unit comes second to its value as a place of substance in the country.

Cottages, stables, tennis court and swimming pool are essential for today's entrepreneurs. If there is a chance to "buy the view", so much the better. While some income from the farm is always useful, yields at present look too low to make agriculture a great investment for newcomers.

This means residential farms should be seen primarily as a luxury and leisure market that includes some farming. Plenty of buyers snapped up residential farms on this basis last year.

A small estate for sale in Northamptonshire is a good example of a residential farm with amenity value. Rowley is a solidly comfortable early 20th century house near Brackley which could well have been built as a hunting box. It has excellent stabling, as well as lakes and parkland, a dower house and four cottages.

The total land is 538 acres, mostly arable but also with newly planted woods, including broad leaves. The farming is contracted out.

It is in an attractive, quiet setting, which the Romans were the first to appreciate. They sited a villa here to enjoy a civilised life in the country - and do some farming. Bidwells in Northampton (01894-805050) asks \$2.75m.

Columns in the cellar

Roman remains also feature at 29 Balgates in Lincoln, near the city's cathedral. In the cellar are remains of two columns that were once part of a colonnade fronting on to the forum (market place) of Roman Lincoln.

They were found when the house, listed grade II, was



No 29 Balgates: an ordinary-looking house ...



... with part of the forum in the cellar

built in 1878 on the site of a former Georgian house. Until recently, the columns could be viewed by the public - a small museum had access from the street.

This piece of Lincoln with a three-bedroom Victorian house above is available from FPD Savills in Lincoln (01522-551100) for offers over £200,000.

Making tracks

Kew Place is a town-house scheme on a brownfield site beside Kew Gardens station in west London. Special

insulation is being used to keep the noise of the trains out. Thirlestone Homes, part of the Berkeley Group, is building 35 units and 14 are left, priced between £285,000 and £650,000. Inquiries: 0181-948 3348.

The firm has also completed a pair of large semi-detached houses in Lyford Road in Wandsworth. In an Edwardian style to match other houses in the street, the pair have a base price of £275,000 each. The agent is Robert Trindle (0181-767 2222).

MOTORING

Forget 'driveway cred' - think practical

Stuart Marshall finds Vauxhall's somewhat dowdy image is belied by the capable all-round performance of its Vectra and Astra models

self-delusion? Of course. Do not, however, underrate its effect on buying decisions. In this respect, cars are no different from trendy designer clothes or cosmetic creams at £100 a pot.

A real bargain in Britain at the moment is the Skoda Octavia, which bears more than a passing resemblance to a VW Passat, though it is far cheaper. Under the sheet metal, all the mechanical bits and pieces are from the VW Golf and Audi A3. (VW took control of Skoda several years ago.)

Octavia is selling well. But, if many potential owners did not associate the Skoda brand with retired railway guards living on council estates, and reckon it inappropriate for parents of children at fee-paying schools, the waiting lists would be longer.

Seeking to increase sales to younger people, Volvo and Mercedes have been spending millions on production car racing and offering buyers niche models of prodigious power and performance.

Has this persuaded potential customers that both are now real alternatives to more overtly sporting marques such as BMW or Alfa Romeo? I am unconvinced.

These thoughts occurred as I sampled the latest Vauxhall Vectra models in Denmark last



Looks can be deceptive: Vauxhall's revamped Vectra may look little different from its predecessor but the model has been rejuvenated in mid-life

week and while using an automatic Astra turbo-diesel estate at home. Vauxhall products stand comparison with the best in their various sectors yet the marque still has to shake off a slightly dowdy image. Every model has a family look (as do all VWs and, for that matter, BMWs and Mercedes). The styling is pleasant enough, but without having the flair of Ford's Ka, Puma, Cougar and Focus.

Vauxhall knows how to design

individual cars that turn heads; witness that eye-catching brace of coupes, the Tigra and the Calibra. At present, though, it seems to be stuck in the same cautious mould as Ford was before Ka heralded a new wave. None of which diminishes the sheer merit of the latest Vectras and Astras as personal transport.

Launched a year ago, the Astra is light years ahead of the former model for comfort, road-holding and handling precision; the

similarly improved new Vectra is now as good as the best of its class rivals.

Chassis and suspension refinements, including larger 15in diameter wheels and tyres, make driving more enjoyable all kinds of road through sharper handling, tauter cornering and reduced road roar. Hard drivers will find body roll minimal even though the ride is now more resilient.

For the British market only, all 2.0-litre Vectras, which take 30

per cent of sales, have the firmer suspension settings of the 2.5-litre V6. The estate versions are as urbane as the hatchbacks or saloons.

The 1.6-litre and 1.8-litre engines use less fuel than those in the last model. Balancer shafts make the 2.0-litre smoother than before, especially at high revolutions.

The 2.5-litre V6 spins silkily at up to 6,000rpm, though excessive engine speeds are unnecessary because it is muscular enough for

fast, safe overtaking at half that figure.

The 2.0-litre, 16-valve turbo-diesel has direct injection (not yet by common rail). Apart from some mild exhaust system vibration when accelerating from low speeds, it is as self-effacing as the four-cylinder petrol engines.

In Vectra hatchbacks and saloons with manual gears, these average 38.2mpg (7.4l/100km) for the 2.0-litre - the most economical petrol Vectra - to 27.4mpg (10.8l/100km) for an automatic 2.5-litre V6. All are put in the shade by the turbo-diesel's 48.7mpg (5.8l/100km).

List prices range from £14,520 for a base-model Envoy 1.6-litre (£15,570 with the 2.0-litre turbo-diesel) and go up to £22,700 (2.5-litre V6 estate with automatic transmission and leather trim).

The same 2.0-litre turbo-diesel powers the Astra estate I am using. Turbo-diesel economy and the easy drivability of optional extra automatic transmission makes a most satisfying mix. The Astra is not only bettering 45mpg (6.3l/100km) in "realistic" conditions - stopstart, rush-hour crawling, short trips with cold starts and motorway cruising - but also performs with executive-car refinement.

Transmission and engine feel as if they were made for one another. The ride is buoyantly comfortable, the handling nimble and the load-space almost as large as a Vectra estate's.

The Astra may not have the styling flair of a Ford Focus estate but in every important respect I rate it as highly as a VW Golf. Prices of Astra two-door, turbo-diesel estates start at £16,145.

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TRAVEL: AVALANCHE IN THE ALPS

When the mountain begins to move

William Hall and Elizabeth Robinson report on dire conditions in the Alps

"Thank God for the British." The Swiss, Germans, French and Italians are cancelling their winter holidays because of dire conditions in the Alps but the "Brits are still coming", says Andrea Cova, owner of Wengen's 104-year-old Falken Hotel in Switzerland's Bernese Oberland.

Wengen, a traffic-free resort half way up the Jungfrau, is suffering like many other Alpine resorts from the heaviest snow falls in more than 40 years: hundreds of thousands of people have been stranded in the Alps.

While bigger neighbouring resorts such as Grindelwald and Adelboden have been cut off for days and more than 10,000 people have been stranded, visitors to Wengen can still use its mountain railway. But the avalanche risk has halted skiing in the area and the Jungfrau mountain railway is losing an estimated Sfr450,000 (about £200,000) a day through cancelled holidays.

But it hasn't put off the British. Cova cites the case of an elderly English lady who battled by boat across the Brienzsee to Interlaken and reached Wengen by mountain railway.

Less than 300 miles to the east in St Anton, Austria's biggest ski resort, no one is going in or out: its road and rail links have been cut off since Sunday and there has been no skiing for days. Jonathan Verney, who runs the St Anton Ski Company and owns the Kartouch bar, said the authorities were "terrified" of avalanches and had closed all bars at night. He is still encour-

aging his British clients, if they are prepared to take the risk, to fly to Zurich and take the chance of making it to St Anton. "The snow is sensational," he says.

But while many of the big Swiss and Austrian resorts, such as St Moritz and Seefeld, have been operating reasonably normally, the risks are real: the avalanches that have struck Galtür, in the Austrian Tyrol, and Evolène, in the Swiss Valais, are among the worst in recent history. At least 12 people have lost

'We've told our guests not to go skiing off-piste. The temptation is massive but you just don't go'

their lives in Switzerland and 16 died in the Galtür avalanche on Tuesday alone with many more still missing.

Perry Bartlett of the Swiss Institute for Snow and Avalanche Research in Davos says current conditions in Switzerland are comparable with 1951, when 75 people died. That was the worst year on record for avalanches. Since then Switzerland has invested heavily in avalanche protection. Parts of the country are now seeing snow starting to overflow barriers but sophisticated early warning systems using computer modelling tech-

niques mean the chance of whole resorts being swept away are slim, and even if this were to happen they would have been evacuated well in advance.

The latest Swiss avalanche bulletin says that in the Valais region rising temperatures are increasing the already huge risk of avalanches above 1,500 metres. In the Grisons there is "acute danger" of avalanches above 1,800 metres. They can occur "spontaneously and can be extremely vast".

According to Meteo Schweiz, there is unlikely to be any dramatic change in the weather in the short term, with more snow expected next week.

Susanne Rieder of the Swiss National Tourist Office recommends visitors contact their local travel agent or tour operator for information: the situation is changing so fast that she cannot say which resorts are blocked.

The greatest worry for Alpine tourist promoters, such as Zermatt's Amade Perigé, is that skiers will be put off travelling. Zermatt, Switzerland's biggest resort, has 12,000 guests and although road and rail links were cut for most of this week he was confident they would be able to leave on time.

"This place looks like a fairy tale," he said on Wednesday, "with great snow and the possibility of skiing all three ski areas. Most avalanches have already fallen. We are well prepared."

For UK ski operators it seems to be business as usual. For every call from a concerned customer,



Austrian snow avalanches, too: Galtür after this week's disaster

ski operators are taking inquiries and bookings from skiers wanting to sample the best snow conditions in Europe for years.

Ski VIP, a chalet operator in Val d'Isère, is well aware of the dangers. This month, one of the company's chalet managers was killed by an avalanche while skiing off-piste. Mark Hutchinson, who runs the company in London, said: "It is still dangerous, but if you stay in the set parameters you are going to be safe."

Val d'Isère, the biggest ski area in Europe, had only 13 runs open last week but better weather was expected this weekend. Hutchinson said: "If the sun comes out next week, this will be the most phenomenal place in the world."

Ski Scott Dunn, the upmarket operator, airlifted clients out of

Zermatt this week as the town was closed off, and transferred others to Val d'Isère, which offered skiing. The company's London office received a flurry of calls from concerned clients booked to travel in the next few weeks, but there was also a last-minute booking rush.

"Far from cancelling, it has been the opposite," said Andrew Dunn, managing director. "People have been booking to go this weekend."

Dunn's company attracts experienced skiers who like to go off-piste. "We've issued memos to guests telling them not to ski off-piste. The temptation is massive, but when you get a number five avalanche warning - which is the highest - you just don't go."

Inghams, the largest UK independent ski operator, takes about

7,000 clients to the Alps each week. "We advise them to turn up as normal at the airport and pack an extra 10 per cent of patience," said Laurence Hicks, sales manager.

Annie Wilson adds: It was always going to be a dangerous winter in the Alps. Huge snowfalls in recent weeks guaranteed it would be a lethal one.

Conditions in the mountains are usually determined by the weather of late autumn. Snow followed by rain, as happened last autumn, almost invariably sets up dangerous conditions.

High winds have since increased the danger by pounding the surface of the snow into a slab formation; add the unbearable weight of this winter's

astonishing snowfalls and spectacular avalanches become almost inevitable.

Alarm bells sounded when a once-in-a-lifetime avalanche ripped through a popular and seemingly safe restaurant beside the lower slopes at Wengen, killing the owners early this month. When avalanches start destroying buildings, conditions have become critical. This was quickly confirmed by the horror of the huge avalanche which devastated Le Tour in the Chamonix Valley.

Even then, some skiers told television news channels they were going skiing in resorts a long way from Chamonix - as if it was only French snow which was dangerous. As events in Galtür proved, Austrian snow avalanches too, as does Swiss snow.

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TRAVEL

Layer cake laced with chocolate and cream

James Henderson opens two pages on Australia with an escape to the Blue Mountains, a landscape which looks like a hairy green jigsaw when seen from the air

It wasn't only vinaigrette that was drizzling the day we arrived in the Blue Mountains. The grey sky was hung visibly with rainstorms that billowed like net curtains. The views were limited to the spindly fingers of eucalyptus trees scratching at the rolling cloud. We gave up and went inside. For lunch I had a courgette soup followed by a smoked chicken salad drizzled with raspberry vinaigrette.

Less than two hours west of Sydney, the Blue Mountains have weird and wonderful geography, like a hairy green jigsaw when seen from the air. They are surprisingly rough and remote. Even now, there are many views where you will not see a single human mark in a landscape that stretches for miles.

People have been escaping there for 100 years, to the fresh climate and the outdoor activities. Also, particularly for the scenery. Escarpments and cliffs stand out like huge layer cakes, their orange strata interlined with stretches of chocolate and cream. In places they are topped with an unexplained volcanic extrusion, giving some of the highest peaks a hardened lava cap.

They are also ancient. "Already here when the Grand Canyon was just a trickle," I read somewhere. Like the mountains of Arizona, the Blue Mountains are sedimentary, but they are eroding more slowly and so the area is still dominated by canyons rather than free-standing mesas.

Our second day, by contrast, was sizzling hot. It was time to take some exercise. There are marked walks all around the mountains, on the ridges and down into the valley floors. At one stage we found ourselves walking the "undercliff", where soft strata have eroded into the rockface enough to create walking paths midway up a cliff. Then we decided to take the walking a touch further, and in keeping with the terrain,



we settled on an activity called canyoning.

I would not be surprised if the word "canyoning" had never appeared in the Financial Times before (it has). It is a young and little-known sport. It is sometimes called the "cave's dessert", because it was developed by pot-holers finding their way down gullies after coming

We spotted water dragons, yabbies (small crayfish) and tadpoles almost the size of catfish

out of cave systems. It is a far cry from pot-holing, though. Canyoning involves a walk along a remote riverbed and following the stream through the pinch of canyon walls. You find yourself walking, wading, scrambling over rocks and through the undergrowth and then, where the rock walls narrow, swimming. If boulders jumble in the gully, you jump into the water below, or if the drop is too high or too dangerous, you abseil. There are about 400 canyons to choose from in the mountains. Ours was Fortness.

As we made our way

down, spotting water dragons, yabbies (small crayfish) and tadpoles almost the size of catfish, the angled valley walls closed up to the vertical until they towered above us. The sedimentary layers in the rock were clearly visible, etched by access worth of water action, which had carved huge scallops and flushed caverns in the rock.

You understand why it took explorers so long to find a route through these mountains. There were contributory reasons, among them a received tendency from African exploration to follow rivers, but in this canyon-dominated landscape explorers found themselves constantly bumping into 300ft and 400ft cliffs at the heads of the valleys. (Eventually they copied the

Aborigines and followed the ridgeline instead, where there were just two routes across the range.)

Headed farther down, we fixed a rope to the rock wall and abseiled through the falling water of a cascade into a pool below. Having slid down so far into the depths of the earth, there was a surprise as we came to the creek's end.

Suddenly we were standing 300ft up, in a cleft in the vertical valley wall, looking on to the Upper Grose Valley. The water which we had been following simply tum-



The Three Sisters rock formation near Katoomba in the Blue Mountains: there are many views where you will not see a single human mark in a landscape that stretches for miles

bled into space. From there we saw why the mountains are called blue. Apparently on a hot day oils released from the leaves of the Blue Gum give a blue tinge to the air.

All the exercise built a hearty appetite, so after walking out (canyoning usually involves a fair bit of walking) we stopped off at one of Leura's genteel establishments, the Bon Ton Café, with its mock-classical dining room and old-style wicker paper straws. The scorching weather spoke the choice of dish: asparagus, sage and prosciutto.

One word that has certainly appeared in the FT before is Lillanfels. Lillanfels is a keynote for comfort and luxury in the Blue Mountains. The estate was once the summer retreat of Sydney's chief justice, Sir Frederick Darley. Lillian was his daughter and the "fals" of the name denotes, in German, the cliff on which it stands. The former windows and pitched roof of the original holiday home (now one of the hotel's restaurants, Darley's) became the inspiration for a new building, which opened as the hotel in 1992.

The bright red brick and modern interior of new Lillanfels need a little ageing for it to take on an ambience of Victorian grace and fancy, but when it comes to late 20th century relaxation Lillanfels is just so.

Rest and recuperation in the mountains nowadays is all about herbal baths, facials and body marine mudpacks, so there's a spa and beauty parlour, snooker and tennis. Interestingly, this has come full circle since a century ago (with a period in between when holidaymakers went to the beach), although the water

treatments are a little less fearsome than they were. I was happy enough to join in. After the exercise of the day before, it seemed appropriate to spend a lazy day around the pool and sauna.

At Darley's restaurant you take a drink on the large wooden veranda with its spindly balustrades before moving inside to the paneled and heavily carpeted interior. There is a warm and homely atmosphere to go with the fare of traditional country cooking and game. I went for river trout. To top it off I chose a frozen hazelnut praline ice-

cream bombe with a caramelised sugar crust. It stood there, an escarpment of layer cake, beige strata interlined with cream and chocolate and topped with a crystallised caramel cap, almost volcanic in its hardness. Hmm. I'd come across that somewhere before, I decided.

James Henderson travelled to Sydney with *Cashew Pacific* (0171-747 8888), which has three flights a day from the UK (Heathrow and Manchester) to its hub at Hong Kong's Chek Lap Kok, where there is a one-hour lay-over for flights to Sydney.

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TRAVEL

Eucalyptus, wallabies and silver moonlight

Nick Haslam finds Western Australia would be pretty close to paradise for escaped convicts

At the end of the jetty a fisherman stood, braced against his rod, the line bar-taught and unmoving. I thought for a minute he had snagged the bottom but then the tip of the rod flexed, and the man staggered. Clearly something very large, and very strong was at the end of his line.

But then Western Australia is a place where scale does seem to go off the map. Here in Albany, on the temperate south-west corner of the continent, Sumatra was nearer than Sydney. To the south lay nothing but a desert of cold sea until the frigid wastes of Antarctica.

The fisherman struck suddenly and gained himself a yard of slack. "Must be a ray," he said. Sure enough, 30 hard minutes later, a stingray with an 8ft wing span broke surface. With a sudden twang, the line parted and the long tail thrashed the water as the fish disappeared.

"Didn't want to land him anyway," said the fisherman, tilting back his hat in the cold breeze. "The hook'll rust out in a few days and he'll be right."

We had just begun our tour of the southernmost reaches of Western Australia with Ean Baird, who had grown up near Albany and seemed to know everyone in the small town of wide streets running down to the wide protected bay.

That afternoon we drove around the calm water of the inlet to the Cheynes Beach Whaling Station, which, until 1978, was one of the biggest employers in the area. Here, humpbacks and sperm whales, harpooned in the Southern Ocean, were carved up on shelving ramps by crews of men armed with huge knives and steam-powered saws.

Within hours, a 40-ton whale would be rendered down in vast boilers for machine oil, animal feed and fertiliser. "We could smell this place all the way across the bay in Albany," said Baird. Now a museum called Whaleworld, there was still a

pungent echo of oil in the restored boiler house, where photographs graphically displayed huge dismembered whale carcasses. "The men who worked here were allowed to drink in only two bars in town, for they always stank like fish cooked in tyre rubber," Baird told us. Trade in the oil declined in the late 1970s, and today whale numbers are increasing by 20 per cent a year in the waters around the town.

We drove west next day, under grey skies, heading along the coast through small farming towns and pastures to the Walpole-Nornalup National Park, a wide, hidden inlet surrounded by dark groves of eucalyptus. We cruised on the mirror-smooth water in a glass-sided catamaran with Gary Muir, the sixth generation of his family to live and farm in the area.

The first Europeans here had been escaped convicts from Tasmania's penal colony in the 1840s, Muir said. They had gone native, supplying meat to seal traders and settling down with Aboriginal women. It must have seemed, I thought, pretty close to paradise after the rigours of convict life. We landed and walked over a neck of land covered in waist-high scrub down to the Southern Ocean, where huge

rollers crashed on to the fine white sand. Muir said that like his forebears, who loved the land, he could never leave the area.

That afternoon, in a heavy downpour, we drove along muddy tracks through misty eucalyptus woods to the timber town of Manjimup. This

area, which has some of the biggest and oldest eucalyptus trees in Australia, had recently seen violent demonstrations by environmentalists protesting against logging.

"It's a hard one," said Baird as we cruised through the quiet town. "People need work here in the country, but we can't go on cutting forest as we used to."

We stopped just beyond the town by a huge karri tree set in a small reserve. I am not exactly fond of heights, but stealing myself, I followed Baird up a set of spikes around the thick trunk to a platform 50 metres above the ground. Until recently, Diamond Tree Tower had been used as a look-out for fires and there were spectacular views of forest and farmland to distant sand dunes more than 40km away on the coast.

In the 1930s, a huge bush fire had ripped through the area, and traces could still be clearly seen on dead branches poking above the

eucalyptus canopy. In spite of its wide girth, the tree swayed alarmingly, and I for one was glad when we climbed down to terra firma.

Early in the evening we pulled up outside the Perup Wilderness Lodge, a self-catering centre for visitors. Here, we watched Tammar wallabies, barely 2ft tall, with grey fur that perfectly matched the undergrowth,

come nervously hopping out of the woods and feed. We walked back in moonlight which reflected off the silver bark of eucalyptus trees, glimpsed possums feeding high above and startled a kangaroo, which leaped off in the dark.

The next day dawned clear and we set off to drive the 300 miles or so back to Perth. Baird broke up the

journey by stopping off at Goundrey, a state-of-the-art winery set in rolling hills, where we tasted some of the local chardonnays.

As dusk fell we drove along empty roads under the light of a harvest moon, arriving finally in the heart of one of the cleanest state capitals in Australia.

Yet, having come straight from the open spaces of the

south-west, the city air seemed tainted. We shook hands and said goodbye, for Baird would be heading back in a few hours to play cricket in Albany. He was unphased at the thought of covering 1,000 miles in 24 hours.

"This is Western Australia," he said. "Wherever you go, there's always miles of ground to cover."

The bold and the beautiful in Western Australia, logging and fires pose enormous threats to the ancient landscape

Carla/Roger Gervais and Tish Abbot

General information

■ Nick Haslam flew Air New Zealand Pacific Class to Sydney. Daily flights from Sydney, including an optional stopover in Los Angeles, start from £700, return plus taxes.

■ Domestic flights from Sydney to Perth were booked using a multi-zone pass with Ansett Australia's 6-Day Pass; fares start at £120 (one-zone passes from £100). All flights can be booked through Air New Zealand/Ansett Australia tel: 0181 744 2299.

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Little sign of the body beautiful in this 'empty and untrodden' land

Kieran Cooke follows in the footsteps of D.H. Lawrence at Thirroul in New South Wales

The train winds south down the coast from Sydney. Coledale, Scarborough, Wollongong, Austimur - the towns are full of neat bungalows with red or green galvanised roofs. The sky is cloudless, the Pacific stretches out below.

The small township of Thirroul is near the end of the line. "Home of the cabbage tree palms," says a sign. I walk past the Barman bottle shop, Wah's China cafe and a pub offering large family meat pies. The coal-rich Illawarra ridge towers above the town.

In May 1922, D.H. Lawrence and his wife, the German aristocrat Frieda, Baroness von Richthofen, arrived in Australia. After a few weeks in Perth and then in Sydney, they settled in Thirroul. The local library directs me to the house.

Lawrence had mixed feelings about Australia. "Australia is a weird, big country," he wrote to a friend in England. "It feels so empty and untrodden. The minute the night begins to go down, even Sydney, which is huge, begins to feel unreal, as if it were only a daytime imagination, and in the night it did not exist. That is a queer sensation: as if life here really had never entered in, as if it were sprinkled over, and the land lay untouched."

The house, a brick bungalow with white wooden facing, is surrounded by a picket fence and oleander bushes. There is no literary trail, no

plaque. The sea thunders against the rust-coloured cliffs 20ft below. "Looking for something mate?" asks a man leaning against a battered car. I shake my head and go down a gorse-filled track to the beach.

Lawrence had left England to escape what he felt was a growing tide of militarism and nationalism. Frieda and he first visited Ceylon: they found the heat there oppressive and, on impulse, journeyed on to Australia. Though the relationship between Lawrence and Frieda was tempestuous, sometimes violent, their time in Australia was a period of relative peace.

"I have started a novel," Lawrence wrote in June 1922, "and if I can go on I shall stay till I've finished it - till about the end of August."

The house in Thirroul was found through an advertisement in a Sydney newspaper. It was called Wyewurk - ironic in that here the writer enjoyed one of his most productive phases, producing 3,500 words a day and almost completing *Kangaroo*, his novel about labour relations in Australia.

Kangaroo is highly autobiographical. Lawrence becomes Somers, an Englishman who, newly arrived, is courted by political groups of both left and right. Frieda is Harriet, Somers's wife. "She turned to, with its

long windows and its wide verandah and its various slopes of low, red-tiled roofs. Perfect! Perfect! The sun had gone down behind the great front of black mountain wall which she could still see over the hedge. The house inside was dark, with its deep verandahs like dark eyelids half closed."

In the book Thirroul becomes Mullumbimby, the nearby larger town of Wollongong is Wollona.

'This is the most democratic place... And the more I see of democracy, the more I dislike it'

The pace of life in Thirroul has probably not changed much since Lawrence's time. Here there is none of the sophistication and buzz of Sydney, none of the beach-side cultivation of the body beautiful. Family groups swim leisurely in seaside pools. There is tea and chips at a beach-front cafe and vistas of sand and surf.

"There was the scalloped seashore, for miles, and the strip of flat coast land, sometimes a mile wide, sprinkled as far as the eye could reach with the pale-grey zinc roofs of the bungalows: all scattered like crystals in the loose cells of the dark tree-tissue of the

shore. It was suggestive of Japanese landscape, dark trees and little, single, scattered toy houses."

While Lawrence seemed to enjoy his time at Thirroul he was scathing about Australians. "They are healthy, and to my thinking, almost imbecile," he wrote to a friend. Nor did he have much time for democracy, Australian style.

"This is the most democratic place I have ever been in. And the more I see of democracy, the more I dislike it. It just brings everything down to the most vulgar level of wages and prices of electric light and water closets and nothing else... And it all seems so empty, so nothing. It almost makes me sick."

Kangaroo is one of Lawrence's least-known works and has received mixed reviews over the years. By late August 1922 he and Frieda were on the move again, this time bound for the US, where the last chapter of *Kangaroo* was written.

The keys to Wyewurk were handed back to the agent. Thirroul and its dazzling shore line was left behind. As he sailed away, Lawrence tried to sum up his often contradictory feelings about Australia.

"Australia has a weird and wonderful fascination... One could pass quite out of the world, over the edge of beyond. But it is just a bit too soon. That's why I go on to America."

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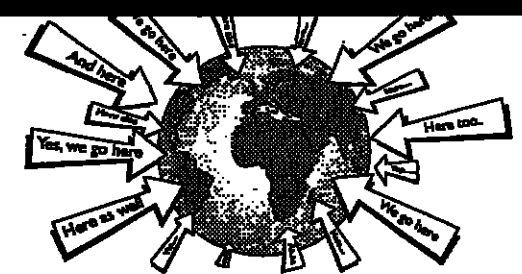
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FINANCIAL TIMES
No FT, no comment.

SPORT

John Barrett agrees with Yevgeny Kafelnikov's prediction that he will take over the world No 1 ranking from Pete Sampras

Prophecy in sport is a hazardous business – as legions of penniless punters and cringing commentators will confirm. Nevertheless I am going to predict that by the time these words appear Yevgeny Kafelnikov will be the new world No 1. My authority? Kafelnikov himself.

The athletic Russian, who celebrated his 25th birthday last week during his successful run in Rotterdam, had arrived in London for the Guardian Direct Cup in Battersea Park knowing that if he reached the semi-finals with sufficient bonus points he would displace the idle Pete Sampras atop the rankings.

After beating Sweden's Magnus Gustafsson in the first round on Tuesday he said: "I feel it's going to happen anyway. If it doesn't happen this week I know this year I will get there. I feel confident. I feel I'm playing as well as I have ever played."

"I'm very fresh in my mind. You don't see that happen very often, someone getting to No 1, taking a spot that has belonged to Pete Sampras for six years. He's trying to win as many slams as possible but his time is running out."

These are not the boastful words of a conceited superstar. Kafelnikov is simply stating the obvious. His victory at last month's Australian Open in the absence of Sampras, where in the final he beat Sweden's Thomas Enqvist, previously undefeated in 1998, proved that he is playing better tennis than anyone else.

His Rotterdam victory, which contained wins in the semi-final and final over the top two Britons, Greg Rusedski and Tim Henman, who are ranked respectively 10 and 7, confirmed it.

Kafelnikov was surprised that Sampras had chosen to miss Melbourne. "I'm sure it was a bad mistake not to come. If he had come he would probably have won it. But he's 28 this year and I believe any player can only play his best up to 28 or 30. There are so many young guys coming up, they breathe on your back."

"Professional tennis is not like golf which you can still play when you are 50 years old. Tennis is completely different: it's a very athletic sport... you have to be 100 per cent physically to compete with the young guys and the slams are only four times a year so you don't want to miss any opportunity when you have a chance to win."

Sampras had cited tiredness as the reason for not going to Australia. At the end of last year he had spent six gruelling weeks in Europe chasing points in quest of a record sixth year leading the rankings.

His 260 weeks in pole position puts him within striking distance of Ivan Lendl (270) and Jimmy Connors (289), the most successful of the 14 men who have headed the list since the rankings began in 1973. Thus the injury to his left leg which forced Sampras to withdraw at the semi-final stage in San Jose two weeks ago was a blow that might cost him the coveted position this week. I wonder if Pete noticed the date. It was February 13.

Reaching the ranking pinnacle, like climbing Everest, involves ambition, dedication and boundless self-belief – quite apart from the necessary technical skill. These are the qualities that Kafelnikov's American coach, Larry Stefanki, has worked hard to develop in his charge – just as



Top dog at Battersea: Yevgeny Kafelnikov, No 1 seed at the Guardian Direct Cup championship, is predicting that he will take over top ranking in the world

TENNIS

Russian star serves notice of new ruler on the courts

he did with Marcelo Rios last year when the Chilean left-hander spent six weeks at the summit.

Another who possessed those qualities in abundance was the 11th man to become No 1, Boris Becker. It has been good to see the powerful German in action again at Battersea. This has been his first tournament appearance in Britain since reaching the Wimbledon quarter-finals in 1997 and he performed creditably in the doubles. He may look a little slower at the age of 31 than in his prime, but he is still a commanding figure on a tennis court.

Like the great Australian champion of the 1950s, Lew Hoad, Becker's physical presence tends to dominate those around him. It

had certainly done just that in January 1991 when, on a scorchingly hot afternoon in Melbourne, he had beaten Ivan Lendl to capture the first of his two Australian championship titles, a win lifting him past Stefan Edberg to the top of the rankings.

I remember interviewing Becker afterwards and asking him which achievement had given him the most pleasure. He replied: "Becoming No 1, because it has been something that I have dreamed of ever since I became a serious tennis player. To be the best among your peers means a great deal to me."

One who did not quite have what it takes to reach the top was Petr Korda. The left-handed Czech, still under suspicion for

drug abuse following a positive test at last year's Wimbledon, is another who has played well at Battersea this week. Twelve months ago he had come here as the Australian champion, his first Grand Slam success in the twilight of his career at 30.

Three times in 1998 he had started a tournament with the chance to become No 1. "I never made it," he said. "I gave it my 100 per cent but the other guys were just playing better tennis at that moment. To be honest, I can say it was not my goal to be No 1. But when I reached No 2 it was something I was working for. Unfortunately it never happened."

"They always said I was collapsing with my nerves but that was not true... How can you say

I was collapsing when Richard Krajicek, for instance, at Monte Carlo is 4-5 15-30 down and he serves three aces? He was just better at that moment. But, as I have said many times, I would never swap being No 1 for winning a slam. That is what really counts in tennis, how you play in the slams."

Kafelnikov probably agrees, although he is delighted that tennis in Russia is benefiting from his chase for No 1. "When I phone home I hear I'm getting a lot of TV time lately because people do follow my results. It's something that's never happened to Russian tennis before. Nobody was ever able to get first of all to No 3 in the world and challenge for the No 1 spot."

PATRICK HARVERSON

Waking up from a field of dreams

The first words of the great spiritual songs echoed around Twickenham stadium, cascading down from the upper tiers in waves of spine-tingling sound. "Swing low, Sweet chariot," the huge crowd sang in lusty unison, its passion propelling the 15 men in white forward as the game reached its thrilling crescendo.

If only. Last weekend, the self-proclaimed "headquarters" of rugby was quieter than a Trappist retreat.

Throughout the game the crowd was in a sullen mood, no more so than near the end when England desperately defended a three-point lead. It should have been an exciting finish, but the English fans, fattened in recent years on a diet of 30- and 40-point wins over the underpowered Celtic nations, sat there sulking.

They had read in the papers that it was going to be a storming match. They had believed it when excitable television presenters told them Twickenham was the only place to be on the third Saturday in March, rugby's ground zero, where the Lionhearts of England would put the Bravehearts from north of the border to the sword. In the end, the rugby itself was none too bad (but none too good, either). It was just the occasion which went flat.

It was the same story 10 days earlier when England's football team had met France at that other great sporting headquarters in the London suburbs. The Wembley crowd, the game, the occasion – none of it came close to living up to the pre-match hype. Like their rugby counterparts, the England fans quickly became disillusioned by proceedings on the pitch, and for three-quarters of the game they alternated between boredom and despair.

Although the poor performances of the home teams had something to do with it, the two events shared a similar, more intractable problem. Increasingly, the live sporting experience is failing to deliver on its promises.

Wembley has not been the Wembley of legend since Euro '96. The Twickenham atmosphere gets less passionate by the match, unless the Springboks are in town. Lord's cricket ground offers little more than a gentle snooze in the sunshine on big match days. Wimbledon, lacking the tennis "personalities" of its past, is all talk and no trousers, the only excitement generated by the annual anticipation of the Brazilian-style inflation in strawberry prices.

Various factors are to blame for this malaise. Over-commercialisation has robbed sport of some of its soul. The incident at the Ireland-France game in Dublin, when paint from the centre-circle sponsor's advertisement ended up smeared all over the players' faces, was an apt visual metaphor for the lengths to which sport goes to accommodate its paymasters.

Television is another culprit. The incessant hyping of events builds expectation to unsustainable levels, and the bigger the event, the worse it is. In the US, the Super Bowl only comes close to living up to its hysterical billing once in every 20 years. The last entertaining World Cup final was 12 years ago.

Aside from the occasional spectacular crash, when was the last really exciting Grand Prix? I think it featured Graham, not Damon, Hill.

A large part of the blame, however, must lie with the people who attend these great sporting occasions. They are the ones letting us all down. They sit there, demanding to be entertained, expecting a spectacle. What they don't realise is they are part of the entertainment too. Margaret Thatcher, that well-known sports fan, once suggested as a way to tackle hooliganism that English football games be played in empty stadiums.

She was politely told that sport could not survive without a live audience, that the crowd was as much a part of the show as the game itself. Twickenham tried to disprove this theory last weekend, and a truly miserable time was had by all.

□ □ □

There is no world quite so self-centred as American sport. The country that produces world champions in games hardly any one else plays (baseball, gridiron football, presidential philandering), has held a poll to determine the greatest horses of the 20th century and, surprise surprise, there is not a single British or Irish horse on the list. Top of the charts was Man o' War, winner of all but one of his 21 races in 1919 and 1920. Behind him were Secretariat, Citation and Kelso. Just two out of the 100

The winner of three Nationals deserves a spot among a list of the century's 100 greatest nags

hail from outside America – Phar Lap from Australia (ranked 22nd) and Miesque from France (83rd). The blinkered American racing officials and journalists who voted in the poll organised by The Blood-Horse magazine ignored the likes of Nijinsky (not good enough to make the top 100 but good enough to be repatriated to the US for stallion duty), Mill Reef and Sea Bird.

And what about Red Rum, the greatest jumper of them all? The Grand National is the most popular horse-race in the world, and among the most demanding of horse and rider. Most unbiased observers (ie, us Brits) would argue that the winner of three Nationals deserves a spot somewhere among a list of the century's 100 greatest nags.

When you think about it, several other famous names not mentioned in this cross new Hall of Equine Fame also come to mind. They may not have won many races at Belmont or Churchill Downs, but they have left an indelible mark on the 21st century. Step forward Silver, who with his owner must have righted more wrongs than any animal in history, and greatest of all, the wonderful Mr Ed. After all, the horse can talk, dammit. Surely that deserves a special mention?

BASEBALL

Roger's rocket heads for Bronx Bombers' arsenal

Jurek Martin sees the New York Yankees exult at the acquisition of a top pitcher

My neighbour Michael has a lot to be happy about – a beautiful wife, two kids, nice house, good job – but there are times when he raves like King Lear in his poorer moments. You see, he is a Boston Red Sox fan.

He was wailing and gnashing his teeth more than usually last weekend, crying in his pain. "It's the Curse of the Bambino all over again," referring to the greatest of all players, Babe Ruth, and his untimely move in another era to New York.

I consoled him as best I could, but, as an aficionado of the Baltimore Orioles, I was a bit morose, too, at the shattering news that Roger "the Rocket" Clemens had been traded to the New York Yankees.

For the best team in baseball, the defending World Series champions, compilers of more wins last year than any side ever, had just acquired arguably the best pitcher in baseball, five times voted best hurler in the American League, including in both the last two seasons. 38 years old but showing no signs of wear.

Instinctively, in our grief, we both felt that this season could be written off, that the Bronx Bombers had just assured themselves of another championship.

Even dreams of going down to Florida or out to Arizona for spring training, which began this week, seemed pointless. Already bereft of Michael Jordan, whose Chicago Bulls have suddenly become the worst team in basketball without him, we fell to wondering about the meaning of life.

Now, on a technicality, it was not Boston that had to let Clemens go, but the Toronto Blue Jays, which picked him up for a fistful of dollars two years ago because the Red Sox thought he was over the hill after a dozen years' hard labour and because he wanted more money.

But memories in Bean Town are long, as befits the city just up the road from the Plymouth Rock which the Pilgrim Fathers used as the first home plate in 1619.

The most searing moment in city history, far exceeding its central place in the American Revolution, took place after the 1919

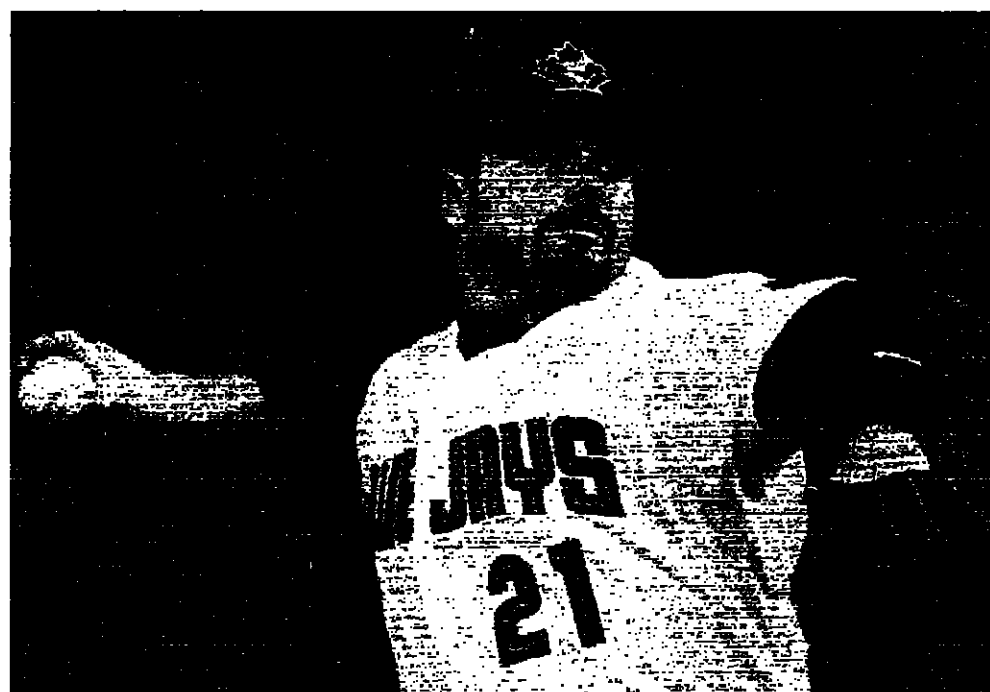
season. That was when Boston traded a promising young pitcher, who was in the process of being converted into a hard-hitting outfielder, to the very same Yankees. His name was Babe Ruth. Since then the Yankees have won 24 World Series and Red Sox not a single one; hence the Curse of the Bambino.

Curiously enough, even in otherwise exultant Gotham, which was simultaneously slaver over the prospect of a senatorial prize fight between Hillary Clinton and Rudy Giuliani, surreptitious, even subversive, doubts were raised over the Clemens acquisition.

George Vecsey of the New York Times had the nerve to write a column challenging all the conventional wisdom. He concluded it with an apocalyptic prediction.

"[The Yankees] have messed with Mother Nature. Forget about the Curse of the Bambino. In the next century the Yankees may have to confront the Curse of the Boomer."

The Boomer is a late bloomer by the name of David Wells, sum-



Dandy Yankee: Roger Clemens, still one of the best on the pitching mound and showing no signs of wear and tear at 38

marily dispatched in the Clemens trade to Toronto along with two lesser players, Graeme Lloyd, an Australian, and Homer Bush, not of the family which produces past and prospective future presidents.

Wells is a left-handed pitcher, a year younger than Clemens, potbellied, hard-drinking, irreverent and fond of heavy metal music. Always a doughty competitor, he had come into his prime in New York, pitching only the 11th per-

fect game in baseball history last year and then winning four more games in the play-offs. (Indeed his career record in play-offs is far superior to that of Clemens.)

He became, logically, a cult figure in New York and repaid the city on the field and with affection. He even wanted to wear Ruth's No 3 on his uniform and when told he could not compensated by pitching in one of the Babe's old caps.

And, in his eccentricity, he fit-

ted the team like an old glove, at once its light relief and its lightning rod. The Yankees were so good last year because all the pieces, from manager Joe Torre down to the unsung reserves and very much including Wells, moulded into something larger than the sum of the parts, as its management appreciated by paying top dollar to keep its free agent players on board in the off-season.

Until, that is, Clemens became

available, selling himself to the bidder most able to satisfy his hunger for the World Series ring, the only conspicuous omission from his career. As George Steinbrenner, the principal owner of the Yankees, reflected: "My God, how could you not want a Roger Clemens on your team? This is baseball, this is business."

He is right about that. On every diamond in the country this season, there are famous names in new uniforms – Kevin Brown, who pitched in the last two World Series with Florida and San Diego, now in Dodger blue and \$100m richer; Albert Belle, ex-Cleveland and Chicago in Orioles black and orange and Rafael Palmeiro back in Texas Ranger red after so many good years in Baltimore.

But each team has its own peculiar chemistry, often unknowable before all the component parts are mixed in the tub of the season. The Yankees had the right formula last year, so perfect that George Vecsey called it Mother Nature. It is what Boston lost 79 years ago by trading Babe Ruth and has never found again. It is what Roger Clemens hopes to find at last in New York and which David Wells probably will not find in Toronto.

And if it all does not work out as planned and as predicted, then my neighbours will stop discussing the meaning of life and go out to the ballpark.

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INTERNATIONAL ARTS GUIDE

What's on
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AMSTERDAM

EXHIBITIONS

Tel: 31-20-673 2121

● **Adrian de Vries (1566-1626): Imperial Sculptor.** Major exhibition celebrating the work of the Dutch sculptor; to Mar 14

● **Asser: Pioneer of Dutch photography.** Nearly 200 photographs, including portraits and still lifes; to Mar 14

OPERA

Nederlandsche Opera, Het Muziektheater

Tel: 31-20-551 8911

Die Zauberflöte: by Mozart. Conducted by Hermut Haendchen in a revival of Pierre Audi's staging co-directed by Saskia Boddeker; Mar 5

BARCELONA

EXHIBITION

Museu Picasso

Tel: 34-93-519 6310

Picasso - Engravings 1900-1942: more than 250 works from the Musée Picasso in Paris. The show is arranged to explore the different themes and techniques that informed the artist's work; to Apr 4

BERLIN

OPERA

Deutsche Oper

Tel: 49-30-34384-01

Rise and Fall of the City of Mahagonny: by Kurt Weill, libretto by Brecht. New staging by Günter Krämer, conducted by Lawrence Foster, with designs by Gottfried Pitz and Isabel Ines Glaser; Feb 28; Mar 4

BONN

EXHIBITION

Kunst- und Ausstellungshalle der

Bundesrepublik Deutschland

Tel: 49-228-917 1200

www.kah-bonn.de

High Renaissance in the Vatican: Art and Culture at the Papal Court (1509-54). Masterpieces from the early 16th century, when Rome established itself as the centre of art in Europe, and the Vatican commissioned work from such great artists as Leonardo da Vinci, Michelangelo and Raphael; to Apr 11

CHICAGO

EXHIBITION

Chicago Cultural Center

Tel: 1-312-744 6630

Landmarks of New York and Chicago: display of 150 photographs, celebrating some of the most important buildings in both cities; to May 30

CLEVELAND

EXHIBITION

Cleveland Museum of Art

Tel: 1-216-421 7340

www.clevelandmuseumofart.org

Diego Rivera: Art and Revolution. Major retrospective of the Latin American painter and muralist pioneer. Features 125 works including public and private loans from Europe, Japan and Mexico; to May 2

COLOGNE

EXHIBITION

Wallraf-Richartz Museum

Tel: 49-221-223 82

www.rauseumkoln.de

Arendt de Gelder (1645-1727): first monographic exhibition devoted to Arendt de Gelder, one of Rembrandt's most prominent pupils. The show includes 58 paintings and 13 drawings as well as 25 graphic works by Rembrandt; to May 9

COPENHAGEN

EXHIBITION

Louisiana Museum of Modern Art, Humlebaek

Tel: 45-4919 0719

www.louisiana.dk

Henri Cartier-Bresson: Europeans. Previously seen in Paris and London, this show brings together 185 works ranging across the photographer's career from the 1930s to the present; to Jun 6

EDINBURGH

EXHIBITION

Scottish National Portrait Gallery

Tel: 44-131-624 6200

John Ruskin: exhibition exploring the influence of the Victorian critic and theorist. Includes drawings, watercolours and photographs; to Mar 7

OPERA

Scottish Opera, Edinburgh Festival Theatre

Tel: 44-131-529 6000

Der Rosenkavalier: by R. Strauss. Now staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers; Feb 27

FORT WORTH

EXHIBITIONS

Kimball Art Museum

Tel: 1-817-3322451

www.kimballart.org

● **Gifts of the Nile: Ancient Egyptian Palaces.** Display of ceramics, known as faience, a mixture worked by the Egyptians and regarded by them as magical. The 200 works on display include substitutes of kings, gods, and animals ranging over 5000 years. Includes public and private loans from the US and Europe; to Apr 25

● **Madame and Picasso: A Gentle Rivalry.** More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

GLASGOW

EXHIBITION

Scottish Opera, Theatre Royal

Tel: 44-161-532 0000

The Magic Fountain: by Delius. Conducted by Richard Armstrong in a new staging by Alden Lang, with designs by Ashley Martin-Davis; Mar 4

HARTFORD

EXHIBITION

Wadsworth Atheneum

Peter de Hooch (1696-1836): previously seen at Dutch House Gallery, this first-ever one-man show of the Dutch painter offers a reassessment of his work. Last celebrated than his contemporary, Vermeer, de Hooch was a pioneer in his own right.



'Vertumnus und Pomona', 1700, by Arendt de Gelder, at the Wallraf-Richartz Museum in Cologne

and a specialist in domestic subjects; to Feb 27

HOUSTON

EXHIBITION

Museum of Fine Arts, Houston

Tel: 1-713-639 7300

www.mfa.org

Brassai: The Eye of Paris. Retrospective of the photographer's work that coincides with the 100th anniversary of his birth. Dubbed 'the eye of Paris' by Henry Miller, Brassai celebrated that city in photographic series including the 'Paris at Night' series on display here. Also on view are portraits of other artists and writers of Brassai's time, among them Dali, Picasso and Genet; to Feb 28

LILLE

EXHIBITION

Pavillon des Beaux Arts

Goye: un regard libre. Small-scale exhibition which explores the range and peculiarities of the painter's work. The 50 works on display include loans from around the world; to Mar 14

LONDON

CONCERTS

Barbican Hall

Tel: 44-171-638 8891

London Symphony Orchestra: conducted by Loris Maazel in works by Schubert and Bruckner; Feb 28

Royal Festival Hall

Tel: 44-171-360 4242

Philharmonia Orchestra: conducted by Christoph von Dohnanyi in works by Haydn, Schoenberg and Beethoven; Feb 27

DANCE

Sadler's Wells

Tel: 44-171-663 8000

● **Art Dance Company: The Return of Don Juan.** In a new staging by Kim Brandrup, starring Ink Mulhamedov. With an original score by Kim Havelog; Mar 1, 2, 3

● **Pacific Northwest Ballet: London debut for the company, which brings a mixed programme of American works (Feb 22-24), and Francis Russell's staging of Balanchine's A Midsummer Night's Dream (Feb 25-27)**

EXHIBITIONS

Barbican Art Gallery

Tel: 44-171-638 8891

● **Africa by Africa: A Photographic View.** Spanning the breadth of photography produced in Africa since the 1920s. Includes works by Mama Cassel, Seydou Keita and Samuel Fosso; to Mar 28

● **Picasso and Photography: The Dark Mirror.** Exhibition exploring the influence of photography on Picasso's art; to Mar 28

British Museum

Tel: 44-171-636 1555

The Golden Scent: Stamford Raffles and the East. Display bringing together biographical material with objects collected by the self-taught scholar who is chiefly remembered as the founder of Singapore; to Apr 18

Hayward Gallery

Tel: 44-171-261 0127

www.hayward-gallery.org.uk

Patrick Caulfield: major retrospective of the British pop artist; to Apr 11, then touring in Europe and the US

Medieval Gallery

Tel: 44-171-639 3321

● **Orsola Gantiacchi at the Court of Charles I.** First-ever retrospective of the 17th century Italian painter, friend to Caravaggio, and Court Painter to Charles I. Includes a group of works from the Queen's House in Greenwich, sold after the king's execution and never seen together since; from Mar 3 to May 23, then travelling to Bilbao

● **Portraits by Ingres: Images of an Epoch.** 40 paintings and 50 drawings by the 19th century French painter. Includes major loans from museums in France, the US and elsewhere; to Apr 25, then touring in the US

Royal Academy of Arts

Tel: 44-171-300 8000

Monet in the 20th Century: arriving in London from Boston, this exhibition brings together late works by the founder of Impressionism. The 60 paintings on display include important public and private loans, culminating in a group of seven of the monumental water lily panels which were the triumph of his career. Also included are paintings of London and Venice; to Apr 18

OPERA

English National Opera, London Coliseum

Tel: 44-161-827 8500

● **La Traviata:** by Verdi. Michael Lloyd conducts a revival of Jonathan Miller's staging; Mar 2, 5

● **Parafat:** by Wagner. Conducted by Mark Elder in a new staging by Nikolaus Lohnhoff, with sets by Raimund Bauer and costumes by Andrea Schmidt-Futler. Cast includes Kim Begley and Jonathan Summers; Mar 3

THEATRE

Albany Theatre

Tel: 44-171-369 1740

Vassie: by Maxim Gorky. Howard Davies directs Peter Gill's new version of the Russian comedy, with Sheila Hancock in the title role

Almeida Theatre

Tel: 44-171-359 4404

Spies: by Esther Villar. Directed by and starring Klaus Maria Brandauer; previews from Mar 4

Barbican Theatre

Tel: 44-171-369 8891

● **The Merchant of Venice:** by Shakespeare. Royal Shakespeare Company production directed by Gregory Doran with designs by Robert Jones. The cast stars Philip Voss; in repertory to Mar 9

● **Measure for Measure:** by Shakespeare. Michael Boyd directs a Royal Shakespeare Company production with a cast including Clare Holman; in repertory to Mar 11

● **The Tempest:** by Shakespeare. Adrian Noble directs a Royal Shakespeare Company production, with a cast including David Calder; in repertory to Mar 4

Comedy Theatre

Tel: 44-171-369 1731

Little Malcolm and his Struggle Against the Eunuchs: by David Halliwell. First seen at Hampstead Theatre, Denis Lawson's production stars Ewan McGregor

National Theatre, Cottesloe

Tel: 44-171-328 2252

The Riot: by Nick Davis. New work by the Cornish playwright about the Newlyn Riots of 1898. Co-production between Knowledge Theatre and the National Theatre, directed by Mike Shepherd with a cast including Geoffrey Hutchings

National Theatre, Lyttelton

Tel: 44-171-328 2252

The Forest: by Alexander Ostrovsky. Adapted by Alan Ayckbourn and directed by Anthony Page, with a cast including Michael Feast, Frances de la Tour and Michael Williams

Queen's Theatre

Tel: 44-171-494 5040

Macbeth: by Shakespeare. Thelma Holt's new production stars Rufus Sewell and Sally Dwyer, and is directed by John Crowley; opens Mar 3

Young Vic Theatre

Tel: 44-171-494 5063

Barbed Wire: by Ben Jonson. Laurence Bonwell directs this Royal Shakespeare Company staging, with a cast including Stephen Boxer and Tom Goodman-Hill

LOS ANGELES

EXHIBITIONS

Los Angeles County Museum of Art

Tel: 1-213-857 6000

www.lacma.org

● **Ancient West Mexico, Art of the Unknown Region:** comprehensive overview of West Mexican art between 200 BC and 500; to Mar 28

● **Van Gogh's Van Gogh:** Masterpieces from the Van Gogh Museum, Amsterdam. Display of 70 paintings on loan during the period of the Dutch museum's renovation. Ranging across the artist's career, the show includes masterpieces such as 'Potato Eaters' (1885) and 'Wheatfield with Crows' (1890); to May 16

MADRID

EXHIBITIONS

Fundación Juan March

Tel: 34-91-435 4240

● **Marc Chagall: Jewish Traditions.** 40 paintings by the Russian-French painter, from the period between 1909 and 1976; to Apr 11

Thyssen-Bornemisza Museum

Tel: 34-91-523 941

● **El Greco: Identity and Transformation.** Focusing on the years 1590-1600, this exhibition follows the artist's early apprenticeship in Crete and Italy, in an attempt to shed light on his subsequent 'Spanish transformation'; to May 16, then travelling to Rome and Athens

MANCHESTER

CONCERT

Bridgegewater Hall

Tel: 44-161-827 8000

● **Philharmonia:** conducted by Edward Downes in works by Elgar;

Feb 27

MILAN

EXHIBITION

Palazzo Reale

Tel: 39-02-8691 5738

L'Anima e il Volto: (The Soul and the Face): major

exhibition of portraits, comprising 370 works

ranging over 400 years. Artists represented include

Titian, Caravaggio, Van Dyck, Picasso and Francis

Bacon; to Mar 14

MUNICH

CONCERTS

Philharmonie Gasteig

Tel: 49-89-5481 8181

● **Bavarian Radio Symphony Orchestra:** conducted

by Lorin Maazel in works by R. Strauss and

Couperin; Mar 4, 5

● **Beethoven Akademie:** conducted by Christopher

Hogwood with works by Mozart and Haydn, with piano

soloist Stefan Vladar; Mar 3

● **Rundfunkorchester des Bayerischen Rundfunks:**

conducted by Marcello Vitti in works by Puccini;

Feb 28

● **Sinfonia Varsovia:** conducted by Yehudi Menuhin

in works by Mendelssohn-Bartholdy and J. Brahms;

Mar 2

DANCE

Philharmonie Gasteig

Tel: 49-89-5481 8181

Bolshoi Ballet: mixed programme of Russian works;

Mar 1

EXHIBITION

Haus der Kunst

Tel: 49-89-211270

Angelika Kaufmann (1741-1807): retrospective of

works by the Swiss decorative artist, who was a

founder member of London's Royal Academy.

Includes paintings, drawings, prints and porcelain;

to Apr 18

NAPLES

EXHIBITION

Museo di Capodimonte

Matta Preti between Rome, Naples and Malta: first

of three special exhibitions marking the 300th

anniversary of the death of Mattia Preti

(1633-1699), the southern Italian painter known as

'Il Cavaliere Calabrese'. The show emphasises the

influence of Caravaggio, and includes about 60

paintings and 30 drawings by Preti and his

contemporaries; from Mar 5 to Jun 11

NEW YORK

CONCERT

Avery Fisher Hall, Lincoln Center

Tel: 1-212-475 5000

www.lincolncenter.org

New York Philharmonic: conducted by Kurt Masur in

works by Beethoven and Liszt. With piano soloist

Mikhael Gurevich, viola soloist Rebecca Young and

the American Boychoir; Feb 27

EXHIBITIONS

Guggenheim Museum

Tel: 1-212-423 3500

www.guggenheim.org

● **Jim Dine: Walking Memory, 1958-1988.** More

than 100 works make up this survey of the

American artist, including photographs, paintings

and performance pieces; to May 18

● **Picasso and the War Years 1937-1945:** more

than 75 works - paintings, sculpture and works on

paper - which together explore Picasso's response

to the period which began with the Spanish Civil

War and ended with the liberation of France; to

May 9

Metropolitan Museum of Art

Tel: 1-212-477 5000

www.metmuseum.org

● **Dosso Dossi, Court Painter in Renaissance**

Ferrara: the last of the Ferrarese painters, Dosso

Dossi was much influenced by Giorgione and Titian.

This exhibition includes rarely lent masterpieces

from the Borghese Gallery in Rome and other

European collections; to Mar 28

● **Picasso: Painter and Sculptor in Clay.** Seen last

year at London's Royal Academy, this show brings

together 175 ceramic works by Picasso, mostly

created between 1947 and 1962; from Mar 3 to

Jun 6

THEATRE

Circle Theatre

Tel: 1-212-239 8200

Not About Nightingales: by Tennessee Williams.

WEEKEND INVESTOR

WALL STREET JOHN AUTHURS

The Topsy economy that simply can't stop growing

Like the battery-powered bunny in the television commercials, the US economy keeps going on and on. Like the bunny, which insists on clashing cymbals as it moves, America's economic performance is beginning to create an unwelcome din, at least on Wall Street.

Yesterday brought the announcement that US gross domestic product, the best indicator of broad economic growth, rose 6.1 per cent last year.

This was faster growth than economists had predicted initially. At the beginning of this year, the forecast was 5.6 per cent.

It was also astonishing progress for an economy that already was the world's largest and most developed - and in a year when much of the world slipped into near-recession.

Growth like this carries with it the risk of over-heating. This has been reflected this week by two monitors of US economic performance - the Treasury bond market and the chairman of the Federal Reserve, Alan Greenspan.

Treasury bonds were rated fundamentally during February. At the end of January, the benchmark 30-year Treasury bond was yielding 5.08 per cent, and had been trading in that range for two months.

It rose as high as 5.38 by the end of last week and, on Thursday, consistent selling on the bond market pushed the price so low that the yield touched 5.85 per cent. The benchmark yield remained above 5.5 per cent yesterday.

A rise like this suggests a heavy bet on increased bank interest rates from the Federal Reserve. And Greenspan provided a cue for this speculation on Tuesday when he gave his latest Humphrey-Hawkins testimony on the state of the economy to Congress.

Greenspan took the opportunity to warn about economic conditions. "After eight years of economic expansion," he said, "the economy appears stretched in a number of dimensions, implying considerable upside and downside risks to the economic outlook."

While this growth has continued without wage pressures forcing up inflation, as usually happens at this point in the economic cycle, Greenspan suggested that it would be difficult for this to continue.

He added a litany of risk factors. "We remain vulnerable to rapidly changing conditions overseas which, as we saw last summer, can be transmitted to US markets quickly and dramatically."

Critically, too, he dropped a hint that interest rates might rise: "In light of all these risks, monetary policy must be ready to move quickly in either direction should we perceive imbalances and distortions developing that could undermine the economic expansion," he said.

Greenspan has shown before that he has the power to force down equity prices with one wag of his tongue, most famously with his comment about "irrational exuberance" in December 1996. But it is worth keeping these developments in perspective.

High bond yields on their own are a heavy anchor to share prices. With higher yields available on the bond market, it is harder to justify paying a high multiple for equities.

The moves in the bond market account for the dampened euphoria in the equity markets, where the Dow Jones Industrial Average has fallen to return to its heights of early June, when it exceeded 9,600 briefly. It was trading yesterday below 9,400.

Moreover, it is arguable that the Fed's interest rates are artificially low, since the liquidity crisis that followed last year's Russian financial crisis led to three cuts, totaling 0.75 per cent, that otherwise would not have been made.

But the biggest question now is whether the bond market can do Greenspan's work for him. Treasury bond yields are important for many areas of the US economy.

They are now used as the benchmark for pricing securities mortgages and credit card debts. Any rise in Treasury yields will increase the cost of credit for consumers and for companies.

As Salomon Smith Barney's John Manley put it last week, the bond market now often works as a "thermostat" where rapid rises in yields have relieved early fears about inflation and where yields fell to avert fears about a slowdown.

Greenspan's comments seem to have induced a rise of more than 0.25 per cent in the long bond yield. If this is sustained, he might not need to raise interest rates because the traders in the bond market will, in effect, have performed the task for him.

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ONLOOKER PHILIP COGGAN

Recession takes a back seat

With one mighty leap, Footsie said goodbye to last year's problems

A move of headline-making proportions. No, not this column's shift from page 2 to page 3 but this week's leap in the FTSE 100 index to a new closing peak.

Footsie did not just surmount its previous peak of 6,179 - it cleared the bar with ease, gaining 152.4 on Wednesday to 6,307.6.

Medium and smaller cap stocks, also, still lag well below their zeniths, even after their strong performances so far in 1998.

The UK market has been able to put behind it the problems of 1996 - the Russian default, the near-collapse of Long-Term Capital Management, the US hedge fund, and the fears of an imminent UK recession.

Price-earnings ratio. Wednesday established a new peak of 24.42 for the p/e on the FTSE Non-Financials index (the benchmark for which records go back furthest). Investors are paying a higher price for present earnings than they have ever done before.

Around half the rise in UK equities since 1992 (the start of the world bull market, in many commentators' eyes) has come from a change in the rating, and half from earnings growth.

The government did its bit, announcing preparations for the euro this week. That triggered a decline in sterling (on the ground that the UK would like the pound to join at a level lower than the present rate) and renewed optimism that British interest rates will fall as part of the convergence process to European levels of 3 per cent.

In spite of this fairly rosy picture, however, there are still some developments that should worry investors. The US Treasury bond market has taken fright at the continuing signs of strength in the American economy, pushing the yield on the 30-year issue up to 5.8 per cent, its highest since August. That is stretching valuations in the US equity market. In Europe, by contrast, it is slow growth that remains a concern, particularly in Germany.

The world economy is getting more and more unbalanced. With the market at an all-time high, it is worth reviewing how shares stack up in terms of the most popular valuation methods.

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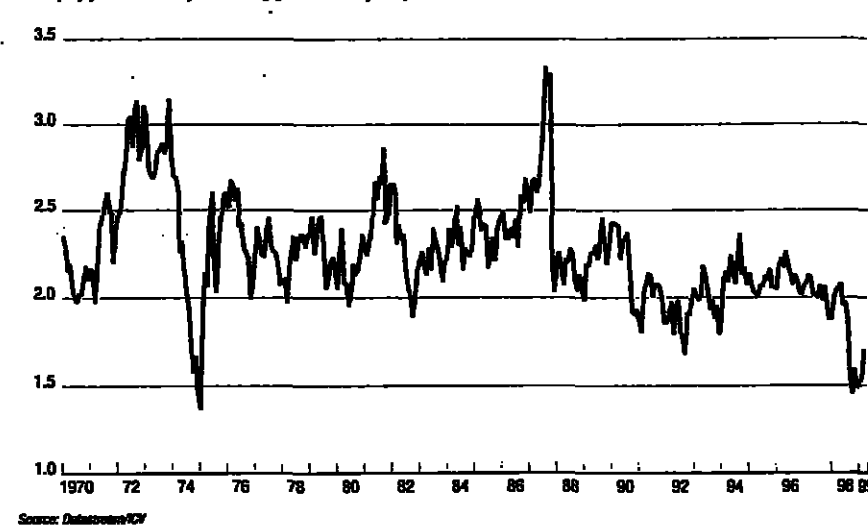
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Gifts/Equities: the picture looks good for shares
Gift/Equity yield ratio: the yield on long gilts divided by the yield on FTSE All-Share Index



of the fall in inflation and the consequent reduction in the yield of alternative investments, notably bonds and cash.

A high p/e, for example, can reflect optimism about the prospect for future earnings growth (rather than the present economic climate) but it can also reflect the lower discount rate that the

investors' capital. The yield might be only a net 2.4 per cent now but, against headline inflation of 2.6 per cent, that is perfectly respectable.

To make allowance for inflation, therefore, most analysts compare equity valuations with those from alternative investments such as gilts and cash.

■ Gift/equity yield ratio. This compares the yield on the All-Share with that on long gilts. The higher the ratio, the more attractive gilts are, since investors will get a better income by switching. As the graph shows, the ratio is under 2, well below the levels in recent history; thus, equities do not look stretched.

There are two important caveats, however. The first is that the ratio shown uses gross rather than net yields. Using the net version, the ratio is almost 2. The second is that, in low inflation times, it makes sense for gilts to be related relative to shares. During the inflationary 1970s and 1980s, the fixed nominal value of bonds was eroded by higher prices. But that is no longer a problem.

For much of this century, equities actually yielded more than bonds; in other words, the ratio was under 1. As this column reported two weeks ago, a Barclays Capital study found that, if the Bank of England succeeds in hitting its 2.5 per cent inflation target, history

suggests the ratio should drop back to, or below, 1. ■ Bond yield/earnings yield ratio. Some analysts believe that the shifting tax treatment of dividends, and the growing use of share buy-backs as a means of returning cash to shareholders, means that dividend yields are outmoded as a valuation yardstick. Instead, they relate bond yields to a company's earnings as a percentage of the share price (this measure is the inverse of the price-earnings ratio). Again the higher this ratio, the more attractive it is for investors to switch into bonds. On this basis, shares look reasonably valued, with a ratio of about 1.15 compared with near 2 just before the 1987 crash.

■ Cash/earnings yield ratio. A similar exercise can be undertaken using short-term rates. Returns from cash, relative to equities, peaked in the summer of 1997 and again in 1998-99 when base rates were 15 per cent. This ratio started to get into dangerous territory in the autumn of 1998, but the Bank's five rate cuts have brought it back down again.

In short, while the market looks overvalued in absolute terms, there looks less to worry about in relative terms. But bulls need to hope that the recent problems of the US bond market have only a limited impact on gilts.

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THE LONG VIEW BARRY RILEY

Mortgages and the euro

The Irish house party is an example of what the UK doesn't need

It is déjà vu, but a mirror image. This week's not-quite-inevitable outline plan for the UK to adopt the euro encouraged the markets to think that, possibly, it might happen. So what did sterling do? It fell, with traders apparently apprehensive that the pound might get tangled up with a weak currency.

Things are very different from 10 years ago, when hints that the UK might join the exchange rate mechanism came as a tonic for the beloved British currency. Moreover, I remember writing here in 1990 that ERM participation would knock 25 per cent off UK house prices.

In London, that is precisely what happened, although the national fall was less dramatic. Now, it seems all too possible that joining the euro-zone would add as much as 50 per cent to house prices - again, more especially in London.

Counter-measures could yet be taken. However, suggestions that the UK might be far-sighted enough to harmonise in advance with the euro-zone are regarded as akin to treason. A "no shadowing" pledge on sterling was demanded in parliament by the Tories on Wednesday, and given by Tony Blair, the prime minister, even though stability against the euro is one of the Maastricht pre-conditions for joining. Nevertheless, UK short-term rates seem about to drop to the lowest level in nearly 30 years and long-term bond yields have shown an even more remarkable decline.

The precedent to be avoided is that set by Ireland, one of the

"euro-bubble" countries on the euro-zone's fringe. It is feasting on the 3 per cent money required to counter the growth famine and deflation trap at the zone's core (where, indeed, Germany urgently craves a further rate cut).

High levels of home ownership and the prevalence of floating rate mortgages are common to Ireland and the UK. We should take note. After all, house prices rose by 36 per cent in Dublin last year (and by 82 per cent in two years). The average house price in Ireland last year was £85,000 compared with the £73,400

In Ireland, house price inflation is pushing up living costs and provides one of the mechanisms that will turn boom to bust

that is Halifax's UK average.

In the UK, the housing market slowed last year after the false alarm of June's interest rate increase. According to the Land Registry, prices across the country rose on average by just 6 per cent, ranging from 9 per cent in south-east England (outside London) to nil in Yorkshire. More recently, though, muted excitement has been evident in the property trade as mortgage rates have tumbled.

It is wise for estate agents and lenders to play down the scope for price rises, especially when the Budget is looming. Nobody wants to alert the attention of Gordon Brown, the chancellor. But there are said to be four times as many buyers as sellers on the books of

agencies and property has rarely been so "affordable" in terms of the immediate mortgage interest outgoings.

Although cheap money is reflected quickly in the monthly instalments on variable-rate mortgages, home buyers are unwise to borrow much more because, in a few years' time, rates may be sky-high once again. That is how people got caught out so badly in the late 1980s. Much the same applies to the so-called "fixed" mortgages that revert to the standard variable rate after two to five years.

The future lies, however,

with genuine fixed-rate loans that will stay fixed for the long term. Lenders in Britain are beginning to establish bond market connections for financing such mortgages in volume. These lenders will be less concerned about arrears, and will offer higher multiples of salaries. This will push up prices in the more fashionable areas.

Prices are likely to become more volatile, however. Interest rates could still rise in a future economic crisis and cripple the buying power of home purchasers at the time. Existing owners would be shielded from such a cashflow squeeze but they could, nevertheless, be menaced by negative equity.

Meanwhile, we can expect regional variations to widen further. Already, the average

London dwelling costs 2.2 times one in Yorkshire (in Islington, three times as much). In areas of declining population, prices will stay depressed and, at best, will rise no faster than new building costs. Now London can bound further ahead, however, boosted by big, cheap loans.

Does house price inflation matter? Homeowners love it. In Ireland, though, where it is pushing up living costs, it provides one of the mechanisms that will eventually turn the economic boom to bust (another being a collapse in company profits), now that monetary policy is set far away in Frankfurt.

In the UK, rising house prices threaten to worsen the "two nations" tensions. Brown is likely to phase out the residual Miras (mortgage interest tax relief), but that is now fairly trivial at less than £20 a month; abolishing it would scarcely stop a renewed London house price boom in its tracks. Possibly, he could levy capital gains tax, or tinkler with percentage loan limits as in some continental states.

He might offer selective tax incentives for long-term fixed mortgages, with the aim of bringing the structure of housing finance more into line with the rest of Europe. Then the UK might not prove as dangerously sensitive as Ireland to movements in short-term interest rates.

But it seems we must not shadow the euro-zone too soon. The British people have not yet pronounced on the fate of sterling. Perhaps Tony Blair should have held on to that house he owned in Islington, after all.

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FT WEEKEND

The OJ Simpson circus was back in action in Hollywood last week, when property from the former football star's residence was auctioned off on behalf of a court receiver, one step in raising the \$33.5m a Santa Monica jury ordered him to pay in a civil suit brought by the families of his murdered wife Nicole Brown and her friend Ron Goldman. This being LA, the receiver, Michael D. Myers, came complete with a four-page biographical press release, describing himself as "slim and soft-spoken".

Hollywood auctioneers Butterfield & Butterfield on Sunset Boulevard overflowed with 17 film crews, 12 reporters, eight transmitting and five PRs. The top item on offer was OJ's 1988 Heisman Trophy, awarded by America's outstanding college football player, and made more valuable because the club misspelt Athletic on the inscription.

Beyond the contents of his trophy room, the sale also provided a rare look into the aesthetic sensibilities of the

MODERN LIFE

OJ junkies surf the net to bid for a trophy

Michael Carlson mixes in the media scrum to see the former football star's possessions go under the hammer in Hollywood

Naked Gun actor, Tiffany-style lamps, chocolate-box tourist paintings, and a large proto-Cubist head painted by Donna Summer all gathered more action than many of the sports items.

Hogging the centre ring of the circus was one Bob Enyart, a rightwing radio host from Denver, who orchestrated a TV camera scrum by announcing he would destroy the three items he had bought on the steps of the LA courthouse the next day.

Enyart claimed to be acting for "citizens frustrated with the American justice system that allowed a criminal to remain as president and a murderer to go free".

Other buyers included wealthy souvenir-seekers like Marty Cohen, a local lawyer who

dropped out of the Heisman bidding at \$220,000 "when rationality took over" and, more predictably, sports collectors such as Mark Dalen. Dalen came from Michigan, proudly wearing a huge Super Bowl winner's ring he had bought from the bankrupt family of former Chicago Bears owner George Halas.

"Financial problems are sad, but they're good news for collectors," he said, adding that he had bought, and resold, a second Bears ring after it was pawned by the son of a team executive. Dalen proved a less than Super Bowl bidder, winding up with OJ's commemorative National Football League alumni golf umbrella, a snip at \$400.

Six sets of Simpson golf clubs sold for \$2,000 or \$2,250 each. And, of course, there were the

OJ junkies who had queued for hours to get a place at the auction. Yvonne Adler had attended the civil trial every day for six weeks and now wanted to

A rightwing radio host said he would destroy the three items he had bought on the steps of the LA courthouse

buy something to burn. Priced out of the early bidding, she tried to pool with three other women, familiar to each other from the trial, to buy and share a collection of four crystal awards.

But one refused, on the grounds that crystal does not burn.

The usual absentee and telephone buyers were joined by bidders on the internet. The auction was transmitted live over Yahoo.com, and featured interactive "real time" bidding, using systems developed by the Seattle-based LiveBid.

LiveBid has already run 40 internet auctions, selling, among other things, the Batmobile from the movie *Batman Returns*. Matt Williams, LiveBid's 26-year-old chief executive, admitted they were doing this one for the exposure. The prospect of riding the OJ media whirl "gave me goose bumps".

Internet buyers bought three items, and the crush of bidding threatened to overwhelm Yahoo's

Susan Carls, on the computer in the auction room. "It's pretty scientific," she said modestly. "The system takes only the highest bid, and automatically eliminates others. But I was really hoping we would win the next-to-the-last item."

An internet buyer had appeared to claim The Washington Pigs Club's Player of the Year trophy, but a late bid from the second room coincided with auctioneer Scott Bradley's dropping the hammer. "I felt it appropriate to allow the bid," said Bradley, who coped with the myriad sources with aplomb.

In the end, the Heisman Trophy went by phone to a then-anonymous buyer for \$330,000. Two days later, Philadelphia sheet-metal

wholesaler Tom Kriessmann flew to LA to ante up \$255,000 (including tax and commission) for his first sports collectible. "I bought it for everything it represents," he said. "You know, the tragedy that was his life."

OJ's other knick-knacks had totalled \$152,000. Nicole Simpson's father, Lou Brown, watched the sale from the front row. Attorney Gary Carls announced afterwards that Brown was "very pleased with the result, but very pleased it was over".

They remain aware that the \$332,000 raised represents just over 1 per cent of the judgment owed to the two families, and that is before Myers's fees.

Ending the post-sale press conference, Butterfield's George Noceti compared the Simpson auction to past successes with Liberace or Elvis.

With that, the OJ media circus folded its tents, and Butterfield's resumed auctioning television and movie memorabilia, starting appropriately enough with costumes from the cult TV show, *The Munsters*.

METROPOLIS

Suburbia's equine outlaws

Glamorised and vilified, the 'pony kids' are Dublin's cowboys. John Murray Brown reports

They use names like Thunder and Rocket. Their qualities are debated in much the same way that grown men talk about cars.

On the first Sunday of every month, the children of Dublin's outlying council estates ride their ponies into the city centre.

In a country where the racing and breeding industries are now big business, the Smithfield market provides a snapshot of an alternative horse culture.

Here, alongside the four-wheel drives and the horse boxes of the regular traders, Dublin's urban cowboys strut their stuff. They ride without saddles, in jeans and trainers, "jockeying" their mounts across the cobbles in an accentuated trot which reverberates off the surrounding buildings. Some are so young they are dwarfed by their pets. Others, their legs dangling on the ground, appear unaware of the horse's discomfort.

They provide one of Dublin's recurring icons. In one of the early videos of the U2 rock band, a horse is seen peering nonchalantly from the window of a block of flats. Roddy Doyle, author of *The Commitments*, who has chronicled working-class Dublin, depicts a horse on the Dart, the commuter rail system. In the film *Into the West*, a tenant in a block of flats finds neighbours squeezing a horse into the lift. Asked what is happening, it is explained that it would never make the stairs.

In a city blighted by drugs, the horses certainly provide an important form of escape for bored youngsters who might otherwise take to heroin and petty crime.

Perry Ogden, a fashion photographer, this week publishes a stunning book of studies of these "pony kids".

But animal rights activists and local politicians say outsiders often ignore the appalling ways in which some of the horses are treated. "The Dublin Society for the Prevention of Cruelty to Animals is called out to more than

250 incidents a year, to deal with injured or starving horses; more than 100 are put down."

Tony Gregory, a campaigning north Dublin politician, says: "It's easy to paint a picture of young disadvantaged children riding these lovely animals. But there's nothing romantic about a horse strangling itself around a tree stump outside your back-yard."

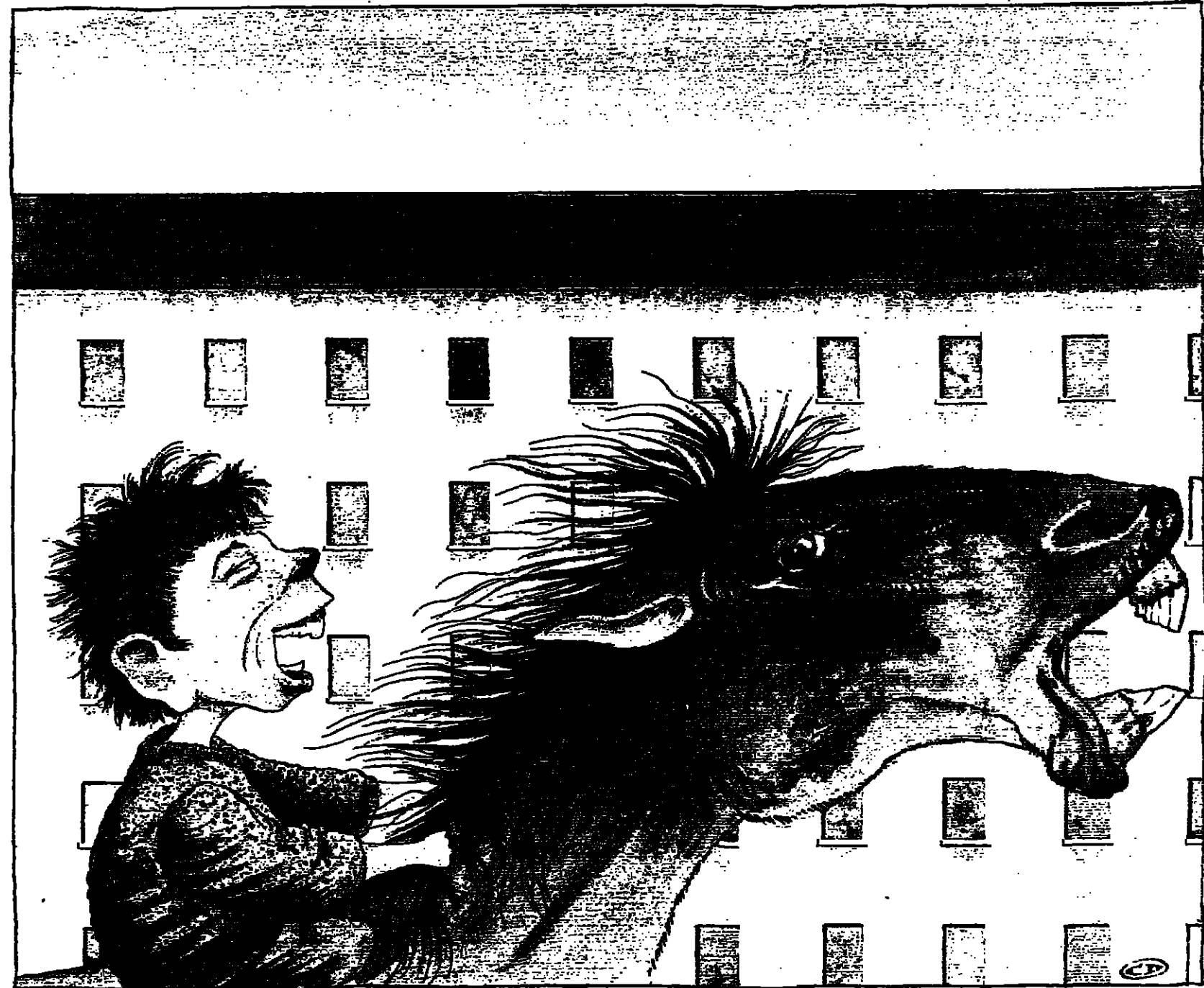
There were more than 3,000 horses until a couple of years ago. Even today, despite recent legislation, the sight of stray horses grazing alongside main roads and on waste ground and public parks is commonplace. On state radio, horses often seem to feature in the traffic updates.

Thirty years ago workhorses were an accepted part of the city landscape and used to ferry crates from the Guinness factory, or coal and scrap. Many of the people who would have worked in these professions have now been rehoused in soulless estates on the city's fringes.

For the authorities of this modern and increasingly "house-proud" city the sight of stray plebeians on city roads is an embarrassment and a threat to public safety. Last year, in one of the worst incidents, two youngsters rode bareback on ponies across the motorway, causing an articulated truck to crash into a coach carrying 70 schoolboys. There were no fatalities.

"They're out of control. Many times the parents don't even know they have the animals. Sometimes they will use their communion or confirmation money to pay for a pony," says Maurice Byrne, the DSPCA chief inspector. "We have Americans ringing us up, Japanese, every type of TV crew, CNN, National Geographic. They have this idea this is some sort of tradition. Actually, horse-trading at Smithfield only started in 1975."

Under the Control of Horses Act which took effect in 1997, all horses have to be licensed and tagged with an electronic chip.



licences will only be issued to owners who have suitable stabling and are over 18 years old. If unlicensed animals are found on council land they are taken to a pound and only released on receipt of £235. If found wandering three times, they are confiscated and given a new home.

The travelling community - Ireland's ethnic nomads - would traditionally have provided many of the horses. But the law has hit them badly. "The accommodation some of us have probably wouldn't be as good as the stabling you need to get a licence," says Thomas McCann of the Irish Travellers Movement.

Travellers are slowly abandoning their nomadic lifestyles and moving into council-provided accommodation. Those who want to remain on the road are moved on by the authorities as the hunger for development takes up every available inch of land. The Horses Act merely adds to their

problems. As for the Smithfield market, that may soon be closed as developers eye the site which is two-thirds the length of O'Connell Street and is one of the few substantial undeveloped commercial lots left in the inner city.

"I didn't even know the horse

In a city blighted by drugs, the horses provide an important form of escape for bored youngsters who might otherwise take to heroin and petty crime

market was there to tell you the truth," says Paddy Kelly, who has an interest in one of the consortiums seeking to develop the so-called Harp area.

Some will no doubt regret the authorities' approach. Fintan O'Toole, a well-respected Irish Times columnist, says the children "long identified with the wild west image of Dublin suburb-

bia are now to become literal outlaws".

But others are more positive. "I was brought up with horses. When I lived in Ballyfermot as a kid we used to race the boys from other areas. But we know that Dublin is changing. There are motorways and roads that

kin, scion of the New York banking family - a regular buyer at the annual Dublin horse show - is also providing funding.

"The kids may sometimes go on the gaggle (alcohol) but drugs have been totally blanked off. We haven't seen one lad gone astray," says Rochford.

Noel Davern, the junior agriculture minister, believes Fettercairn and other community-based initiatives provide real hope in the inner city. "Very few children would have been brought up with a work ethic. Most would have come from the homes of the long-term unemployed," he says.

Eddie Harty, who won the Grand National on Highland Wedding in 1969, now acts as equine adviser to Dublin Corporation, and is involved in another children's horse project at Cherry Orchard. He says: "When a horse is in a race and he misses his place, and the gap closes, he can find himself coming in last. Kids are like that, too."

Industry has obvious reasons to be supportive. With jobs being created at a record rate in other sectors, Derek O'Sullivan at the Race Apprentices Centre at the Curragh says the horse-racing industry is having to bring in labour from eastern Europe and even the West Indies for studs and stables.

His centre takes on 30 people a year - only two or three are from urban backgrounds. But Robert Winston, a graduate of the centre, is proof of what can be achieved. Four years ago, he would have been exchanging tales of derring-do with his friends at Smithfield. Today, still only 19, he is apprenticed to a yard in north Yorkshire, and to date has ridden 88 winners.

"It certainly gave me good balance. In the city you learn skills in confined space. And I think I am stronger in the arms than other jockeys," he says.

■ Pony Kids, by Perry Ogden, Jonathan Cape, 144 pages, £20.

ARCADIA

Birdwatchers on a flight path to paradise

James Wilson finds that the US withdrawal from Panama and the determination of an entrepreneur have been a boon to twitchers

point around. The tower rises to the height of the jungle canopy in a sea of uninterrupted green. For one Panamanian entrepreneur, Raul Arias de Para, it had the potential to be the perfect birdwatching platform.

Panama, the sliver of land joining two continents, has an enviable reputation among birdwatchers. Each Christmas members of the Audubon Society, the US birding and conservation organisation, go out for an annual survey.

Members in Panama have regularly topped the survey, spotting more than 300 species in a single day. A few miles from the Canopy Tower is the famous Pipeline Road through the jungle, perhaps the best place in the world to observe birds.

Arias de Para spent two years

picking his way through negotiations and ended up with a sword-into-ploughshares concession to transform the Semaphore Hill radar tower into an ecotourism resort. On handover day, a sergeant turned up and thrust the keys to the place into Arias de Para's hand.

"It was a bit unceremonious," he recalls. "I was expecting a general or a captain and all we got was an NCO." Photographs of the event show the soldier grinning broadly; the place seemed a long way from a twitchers' sanctuary.

The new owner's first task was to find water. The staff who worked in shifts at the station had relied on rainwater and a tanker delivery. He bored deep into the hill. No luck. Then he heard of a retired US engineer

who had bored a well for the US army 25 years ago on the same hillside.

Told which spot to try, Arias de Para struck water this time. But the original well remained a mystery until a former worker at Semaphore Hill turned up at the gate one day to see the changes. He remembered the well; the US, grown paranoid about the risk of enemies sneaking into the jungle and poisoning the water, had abandoned it and hidden all trace.

Arias de Para put a series of floors inside the tower to divide it up, added stairs, and sliced through the corrugated exterior with a blowtorch to put in panoramic windows.

On one floor he built six en suite bedrooms, and above them a lounge and kitchen. He brought

in an interior designer from New York to come up with a colour scheme. He slung hammocks - woven in Colombia, the world's best - and stocked up the library with rainy day reference volumes.

As for the fibreglass, 9-metre high golf-ball dome, Arias de Para painted it yellow and surrounded it with wooden park seats, offering uninterrupted views across untamed acres of jungle.

Around the tower the birds soar and swoop, while coats, members of the raccoon family, scurry in the undergrowth at its base. The cries of howler monkeys drift over the treetops. From the roof, ships can be seen steaming through the Panama Canal where it carves through the continental divide. On the

horizon, 20km and half an hour by car, the Bridge of the Americas arches over the Pacific entrance to the canal. Go 45km in the other direction and you reach the Caribbean.

In February the Canopy Tower opened for business with the first tour group of US birdwatchers. Leading them was ornithologist Robert Ridgely, author of the seminal *Guide to the Birds of Panama*.

In their week's stay, says Arias de Para, Ridgely spotted a black swift never seen before in this part of Panama. The only problem was the group's hours. "They wanted their breakfast prepared for 5am every day," says Arias de Para.

The canal zone, as a strategic site, has benefited from the US presence, being largely spared

from deforestation and intrusion. This year the US leaves Panama completely and will turn over more than 25,000 hectares (9,500 sq miles) of land - much of it barely touched jungle - along with dozens of military installations.

But Panama has no armed forces of its own to fill them; they were abolished after the military ruler Manuel Antonio Noriega was overthrown by the 1989 US invasion. Arias de Para, once an opposition politician who was imprisoned twice under the Noriega regime, was later one of those charged with dismantling Noriega's troops.

So other ways are being examined of turning military sites into tourist centres. The notorious School of the Americas, a training camp for Latin America's military, is being converted into a hotel.

Arias de Para sees the Canopy Tower as a further fitting symbol of transformation. The list of bird species seen there - the plumbeous hawk, the crested guan, potoos both great and common, and puffbirds and manakins - has now reached more than 250.

JP 11/20/150